



Comprehensive Master Plan



Economic Development Trends Report 2016





ECONOMIC DEVELOPMENT TRENDS REPORT

ROCKVILLE 2040

CITY OF ROCKVILLE, MARYLAND

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Executive Summary

The Economic Development Trends Report discusses the existing economic, labor and market conditions in Rockville and the region, and also some past and future trends, to provide parameters to the discussion of master plan policies that can affect the long-term economic trajectory of the City. The document also includes a discussion of economic development policies that are part of the City's existing Comprehensive Master Plan, which was approved and adopted in 2002, and results from the 2012 Rockville Summit.

Rockville's economy continues to be relatively strong, the unemployment rate is relatively low and average incomes are relatively high. Rockville is the county seat for Montgomery County, and has historically been a major economic hub with over 75,000 jobs in 2015. Rockville is a part of the regional economy, as is evident in the job clusters for employed workers, and the commuting patterns, which shows a relationship between where workers are employed and where they live. For instance, 15 percent of Rockville residents also work in Rockville, meaning that 85 percent commute outside the city to other parts of the county and the region for work.

Rockville historically has had high quality employment as well. A large number of Rockville jobs are knowledge based, with a high concentration of jobs in public administration; professional, scientific and technical services; educational services and health care. Together, these sectors account for more than 40 percent of the jobs in Rockville.

Having a healthy economy, a strong employment base and diversity of land uses is important to the fiscal health of Rockville as well. The commercial and industrial sector, for instance, are important because while they account for 16 percent of the city's existing land area, they generate 31 percent of the city's property tax revenue.

However, the region as whole is facing transitions in the office and retail markets, and a reduction in federal spending. Future fiscal health of the City will be determined by its ability

to be cognizant of the economic issues within the city and regionally, and develop policies that attract uses that will yield sustainable economic and fiscal benefits over the long term.

Some core strengths and challenges for Rockville as identified include:

Core strengths:

- Desirable location in the growing Metropolitan Washington region and within Montgomery County; including both good highway and transit access, and investment opportunities near both.
- Key public sector employment, contracting and economic spin-off anchors that are likely to stay in place for the long term. They include the various components of Montgomery County government, Montgomery College, two major courthouses, the nearby campus of the Universities of Maryland at Shady Grove, and the nearby National Institutes of Health (including the recently constructed National Cancer Institute just beyond Shady Grove Road).
- A growing and increasingly attractive downtown (Town Center) that already offers a mix of offices, restaurants, services, culture and government uses - and now includes a full-service headquarters hotel.
- A highly educated workforce, both within and proximate to Rockville.
- Public schools that are perceived, both locally and in national rankings, as being excellent.
- Steady demand for space in the areas traditionally reserved for flex/industrial areas.
- Continued projected growth in population, which will support growth in local-serving services and retail.

Core challenges and uncertainties:

- Reduced projected growth in office space and in employment, and the lack of clarity of whether this trend is short term or longer term. This trend is region-wide, not just in Rockville.



- There continues to be more jobs than people in Rockville, though that ratio is falling, as residential development is currently more in demand in the city.
- Changes in retailing, which have made the survival of neighborhood-serving retail centers more difficult and are changing the mix offered even in larger-scale centers.
- The high cost of housing makes finding nearby employees more challenging.
- Questions about whether investments in transportation and educational facilities, which are mostly beyond the areas of Rockville's scope, can meet the demands of the future.
- Concerns about infrastructure such as water/sewer capacity in certain development areas of the city.
- Uncertain future of federal spending, which affect both direct federal employment and contracting.
- New competition from nearby "placemaking" mixed-use centers in White Flint and Gaithersburg.
- A relative dearth of entertainment-oriented anchors in urbanized locations in Rockville, which could help to attract and support both retail and office users.
- Rockville's daytime population, especially in locations such as the Montgomery College Campus in Rockville, is an asset that has not been not been strategically utilized to serve its retail and other businesses.
- Incomplete understanding of the fiscal benefits of the non-residential employment-oriented portions of the City.

Rockville's core strengths and challenges provide a framework for setting policies, goals and objectives during Rockville 2040 Planning process. The direction established will have a direct and indirect effect on the economic goals for the future. The master plan can develop strategies and policies and direct regulations and infrastructure investments that can help Rockville's economy in the long term.



Office Building, Tower Oaks



Regal Theaters, Town Center





Introduction

Scope of the Economic Development Report

The Economic Report is one of a series of documents developed as background material for updating the City of Rockville's Comprehensive Master Plan (CMP). The Report discusses the existing economic, labor and market conditions in Rockville and the region, and also discusses some past and future trends. Demographics and housing markets are also key indicators of the economy, but have been discussed in detail in the Census Report (2012) and the Housing Scan (2012) both available on the City's website at <http://www.rockvillemd.gov/index.aspx?NID=848>. Further understanding of the City's housing market will be developed through an upcoming study on housing needs.

The purpose of the document is to bring information to the discussion of master plan policies that can affect the long-term economic trajectory of the City. The most difficult, yet perhaps the most important, part of a document of this nature is projecting the future. Changes in economic factors occur frequently and, at times, rapidly. Their impacts can take longer to be felt, such as the impacts of e-commerce on the demand for retail and commercial space. Nonetheless, a good master plan will, to the extent possible, project trends in order to establish appropriate regulations and facilitate prudent and opportunistic investments for the future.

The document also includes a discussion of economic development policies that are part of the City's existing Comprehensive Master Plan, which was approved and adopted in 2002. Those policies were reviewed in 2009, as part of Rockville's completing a State-required review of the plan. The relevant results of that review that are relevant are included as Appendix A. This document brings that discussion up to date.

This report attempts to combine economic development and planning by analyzing market conditions, citywide job and population trends, census data, workforce characteristics, and the current environment in the office, retail, industrial and other

sectors. The data analyzed here will provide an understanding of some of Rockville's strengths and assets as a community, and will inform the community discussion of policies for Rockville's economy.

This document does not purport to cover all of the factors that can affect the success of a local economy. An integration of key factors in areas such as transportation, community facilities, land use and others will be next steps in developing a cohesive master plan for the economy.

What is Economic Development?

There are many definitions of economic development. On its website, the International Economic Development Council defines the term as "a program, group of policies, or activity that seeks to improve the economic well-being and quality of life for a community, by creating and/or retaining jobs that facilitate growth and provide a stable tax base."

In the 12 Planning Visions that the State requires the local jurisdictions to adopt and implement as a part of the master plan, number 8 is "Economic Development: Economic Development and natural-resource based businesses that promote employment opportunities for all income levels within the capacity of the State's natural resource, public services, and public facilities are encouraged."

These definitions, and others, recognize that economic development serves to promote the economic, quality-of-life and fiscal well-being of people and communities.



The Economy and Fiscal Health

In order for the City to continue to fund desired programs and infrastructure needs, while maintaining a balanced budget and long-term fiscal health, the City must maintain a strong tax base. Rockville’s largest source of revenue in the City’s budget is real property tax.

New initiatives and capital improvements must come from increased revenue, which can come from increased property values, fiscally beneficial new development, higher tax rates, or new revenue sources.

A report on City Services and the Budget, produced by a citizens working group as part of the 2012 Rockville Summit process¹, highlighted the importance of having a well-balanced economy and development pattern for the City’s fiscal health. The health of the commercial and industrial sectors is particularly important, because, while they account for 16 percent of the city’s existing land use area, they generate 31 percent of the city’s property tax revenue (2012 data from Maryland SDAT). They also tend to impose less of a cost burden for public services such as schools, public works and parks. In addition, commercial development contributes to creating a vibrant city by providing job growth, retail, restaurants, services and entertainment. It also increases demand for housing, which can have a beneficial impact on housing values.

Furthermore, based on direction from the Mayor and Council, the City contracted with a consulting firm to study the costs and revenues associated with new development². The fiscal impact analysis was based on the 2013 General Fund budget (revenues and expenditures). The study analyzed several existing, developed sites and two recently approved (but unbuilt at the time) development projects.

1. Rockville Summit is discussed more in Appendix B of this document.
2. The Fiscal Impact Analysis was prepared by Environmental Resource Management (ERM) and Municipal & Financial Services Group (MFSG) and is available on the City’s website at [https://rockmail.rockvillemd.gov/clerk/egenda.nsf/d5c6a20307650f4a852572f9004d38b8/19b515efe88cf29885257a5b006646fb/\\$FILE/Attachment%20A%20-%20Fiscal%20Impact%20Analysis%20Final%20Report.pdf](https://rockmail.rockvillemd.gov/clerk/egenda.nsf/d5c6a20307650f4a852572f9004d38b8/19b515efe88cf29885257a5b006646fb/$FILE/Attachment%20A%20-%20Fiscal%20Impact%20Analysis%20Final%20Report.pdf)

Table 1 - Average Annual Net Fiscal Impacts
Summary of Development for specific sites in the study

| Development | Average Annual Net Fiscal Impact |
|--|----------------------------------|
| Existing, Recently Constructed Single Family Residential (The two single family homes that were analyzed as part of the study had a fairly high average assessed value of \$620,000) | \$1,220 |
| Existing Multi-family Residential (Westchester Apartments, 1st Street and Veirs Mill Road) | \$1,026 |
| Existing Mixed Use (The Alaire, at Twinbrook Metro Station) | \$32,079 |
| Future Mixed Use (1800 Rockville Pike, near Twinbrook Metro Station) | \$104,953 |
| Future Mixed Use (The Duball site in Town Center) | \$195,391 |

Note: Services provided by Montgomery County, such as public education and libraries, were not included in the calculations.

A few conclusions and observations from the report are summarized below.

- New development generally pays for itself in terms of impact on the City budget, meaning the amount of revenue generated from property and other taxes tends to exceed the cost of providing City services to that new development. But the assessed value of the property is a major factor.
- Mixed use projects provide a more positive fiscal impact than stand-alone residential projects.
- The cost of providing City services to a new employee was about 1/3 of the cost of providing City services to a resident of a single-family home (\$224 for an employee; \$646 for a single-family home).

In general, non-residential properties tend to produce higher net benefits from a fiscal standpoint. Both the operating and capital expenses for governments tend to be lower for commercial development (on a per employee basis), while generating a substantial share of property tax revenue. It is important to note that office and industrial sites, which include the majority of jobs in the City, were not included in the consultant’s analysis. More fiscal studies are needed to understand the impacts of existing uses and future development on Rockville.



Existing Economic Conditions and Analysis

This section contains information that provides a regional context and discusses the exiting economic conditions and trends in the City.

Regional Economy

The Washington Metropolitan Area is one of the largest local economies in the country. The area has several inherent advantages to compete in the global marketplace, most of which are rooted in Washington's status as the seat of the U.S. government. Federal employment, procurement and contracting have historically been a core feature of the regional economy.

The concentration of capital from federal funding, along with the expansion of the federal government into new responsibilities has, over the years, led to the proliferation of research facilities, libraries, scientific firms, international think tanks, and research and development groups.

The region has developed a series of specialty areas or clusters, many of which employ workers with a high level of education. One key area, which Montgomery County helps to lead, is biomedical technology, for which the region has one of the country's largest clusters. This is discussed in more detail later on in this document.

Rockville has been the beneficiary of these and other federal and private-sector investments, resulting in income and education levels higher than the national average.

Table 2 - Median Household Income

| | 2010-2014 |
|------------------------------|-----------------|
| Loudoun County, VA | \$123,966 |
| Fairfax County, VA | \$112,102 |
| Arlington County, VA | \$103,208 |
| Montgomery County, MD | \$98,704 |
| City of Rockville, MD | \$98,530 |
| District of Columbia (DC) | \$69,235 |
| US | \$53,482 |

Source: American Community Survey, 2010-2014 (S1903)

Table 3 - Educational Attainment
Percentage of Persons age 25 years+ with a Bachelors degree or higher

| | 2010-2014 |
|------------------------------|--------------|
| Loudoun County, VA | 58.0% |
| Fairfax County, VA | 59.3% |
| Arlington County, VA | 71.9% |
| City of Rockville, MD | 62.4% |
| Montgomery County, MD | 57.4% |
| District of Columbia (DC) | 53.4% |
| US | 29.3% |

Source: American Community Survey, 2010-2014 (S1501)

Two reports were released on the regional economy recently, the *Roadmap for the Washington Region's Economic Future*, by Stephen Fuller of the George Mason University; and the *State of the Region, Economic Competitiveness Report*, by the Metropolitan Washington Council of Governments. Both reports highlight the regional assets, but also identify trends that threaten the economic competitiveness of the region today and in the long term.

A key threat to the region is its dependence on the federal government for growth. In 2010 almost 40 percent of regional economy came from the federal government. In 2020 it is estimated to be just 27 percent. The reports discuss measures to promote private sector growth to fill in gaps created by the slowdown in federal spending.



According to the *Roadmap for the Washington Region's Economic Future*, the following seven key economic clusters that have the potential to re-accelerate the region's economic growth and lead to high-paying jobs are:

1) Advocacy Services

The capital region is a logical setting for advocacy organizations, ranging from well-established lobbying firms and trade associations to philanthropic foundations and startup "grassroots" organizations.

2) Information and Communications Technology

This large and sophisticated cluster, which includes cybersecurity and health information technology, is particularly important in the global economy.

3) Science and Security Technology

This advanced technology cluster has important new opportunities for growth beyond the government's national defense, intelligence and space sectors.

4) Biology and Health Technology

This region's role in health financing and research flows from the Centers for Medicare and Medicaid Services, the National Institute of Health, and the Federal Food and Drug Administration. These organizations provide ongoing opportunities for biological and health research performed at regional universities and private labs.

5) Business and Financial Services

As home to many important institutions such as the World Bank, the IMF, and the Federal Reserve, the region will continue to play a critical role in global finance.

6) Media and Information Services

The Washington region is a hub for world-class documentary, advocacy, and political media and information firms, and, as the seat of the federal government, will always be a primary source for the nation's news and information.

7) Leisure and Business Hospitality Services

The Washington region's professional environment, rich

history, and national landmarks attract legions of businesses and leisure travellers annually. This cluster supports a large network of suppliers and complementary businesses that expand naturally with national income growth.

If the reports are correct, Rockville's economic health may depend on the extent to which the City can participate in these clusters. The master plan can affect that participation through policies on economic strategies and programs. As an example, the master plan can recommend regulatory process that facilitates, or obstructs, the development of office and research space; or develop policies regarding the investment in infrastructure such as transportation, water/sewer and technology that creates an attractive environment for businesses in the economic clusters as discussed.



State of the Region, Report Produced by MWCOC, 2016



Past and Projected Population and Job Trends

In the year 2015, Rockville had an estimated 66,296 residents and 76,900 jobs (draft Round 9 forecasts) and a much larger daytime population due to the daily influx of non-resident employees, visitors and shoppers.

Table 4 - Trends in Population Growth

Rockville and Montgomery County Population Growth

| Year | Rockville Population | % Growth Rockville | Montgomery County Population | % Growth Montgomery County |
|------|----------------------|--------------------|------------------------------|----------------------------|
| 1990 | 44,835 | N/A | 757,027 | N/A |
| 2000 | 47,388 | 6% | 873,341 | 15% |
| 2010 | 61,209 | 29% | 971,800 | 11% |
| 2020 | 71,500 | 17% | 1,052,031 | 8% |
| 2030 | 80,400 | 12% | 1,128,829 | 7% |
| 2040 | 86,800 | 8% | 1,197,137 | 6% |

Table 5 - Trends in Job Growth

Rockville and Montgomery County Job Growth

| Year | Rockville Jobs | % Growth Rockville | Montgomery County Jobs | % Growth Montgomery County |
|------|----------------|--------------------|------------------------|----------------------------|
| 1990 | 56,900 | N/A | 400,800 | N/A |
| 2000 | 68,700 | 21% | 476,300 | 19% |
| 2010 | 74,600 | 9% | 493,500 | 4% |
| 2020 | 78,300 | 5% | 543,500 | 10% |
| 2030 | 82,500 | 5% | 604,500 | 11% |
| 2040 | 91,200 | 11% | 653,900 | 8% |

Source: US Census, for 1990, 2000 and 2010 population numbers

MWCoG Draft Round 9 forecasts, 2020-2040

MWCoG Round 6.4A for 1990 job estimates

MWCoG Round 7.0 for 2000 job estimates

The City prepares its population, household and jobs forecast in coordination with Metropolitan Washington Council of Governments (MWCOG).

From 1990 to 2000, Rockville saw 21% growth in jobs and 6% growth in population. However, from 2000 and 2010, there was far more growth in population (29%), than in jobs (9%). This trend is projected to continue, with more growth in population than in jobs, anticipated through 2040.

Rockville's share of Montgomery County jobs is projected to remain in the historic range of 14-15% of total county jobs.

The projections are prepared in coordination with the Metropolitan Washington Council of Governments (MWCOG). The City of Rockville is a part of the MWCOG, which is an independent nonprofit association that brings area leaders together to address major regional issues, and also provide a platform to coordinate and prepare population, household and employment projections for the region.

Rockville's forecasts are based on current master plan goals and are dependent on a variety of factors, such as regional economic conditions, policies and infrastructure. Rockville is a part of the greater Washington region, and a key theme for Rockville's updated master plan is to recommend how much the city should be involved, directly or indirectly, to ensure a stable economy and jobs growth.



Job Sectors in Rockville (2014)

Rockville is located in the central region of Montgomery County and is a part of the greater Washington Metropolitan metro area. The 14-square-mile incorporated city is less than 12 miles north of Washington DC. Rockville has many economic assets and anchors. In addition to being a part of the national capital region, it is the core of the I-270 technology corridor and a major economic hub for Maryland with a high concentration of biotechnology and life sciences companies. The City also has a variety of retail venues, particularly along MD 355.

The City of Rockville is the seat of Montgomery County government, and many of the County offices are currently located within the City limits. The Maryland District Court

and the Montgomery County Circuit Court are also located in downtown Rockville. Therefore a substantial proportion (21%) of Rockville's jobs are in the Public Administration sector.

According to Census estimates, there were a total number of 75,476 jobs in the City in 2014. A large number of Rockville jobs are knowledge based. After Public Administration, the highest concentration of jobs are in the areas of Professional, Scientific and Technical Services; Educational Services; and Health Care and Social Assistance. Together, these three sectors constitute more than 40% of all jobs in Rockville. In contrast, Retail Trade provides only about 5% of the city's jobs.

Table 6 - Total Number of Jobs in Rockville by Industry (2015)

| Industry Sector (as classified by the Census) | # of Jobs | Share |
|--|-----------|--------|
| Public Administration | 15,813 | 20.95% |
| Professional, Scientific, and Technical Services | 12,887 | 17.07% |
| Educational Services | 11,593 | 15.36% |
| Health Care and Social Assistance | 6,426 | 8.51% |
| Accommodation and Food Services | 4,110 | 5.45% |
| Administration & Support, Waste Management and Remediation | 4,042 | 5.36% |
| Retail Trade | 3,803 | 5.04% |
| Finance and Insurance | 3,087 | 4.09% |
| Other Services (excluding Public Administration) | 2,514 | 3.33% |
| Information | 2,488 | 3.30% |
| Construction | 2,091 | 2.77% |
| Wholesale Trade | 1,874 | 2.48% |
| Real Estate and Rental and Leasing | 1,357 | 1.80% |
| Manufacturing | 1,297 | 1.72% |
| Management of Companies and Enterprises | 884 | 1.17% |
| Arts, Entertainment, and Recreation | 730 | 0.97% |
| Transportation and Warehousing | 245 | 0.32% |
| Utilities | 234 | 0.31% |
| Agriculture, Forestry, Fishing and Hunting | 1 | 0.00% |

Source: U.S. Census Bureau, 2014, On the Map Application, 2014



Rockville's Largest Employers

Montgomery County Government is the largest government employer in the City, followed by Montgomery County Public Schools and then Montgomery College. The largest private sector employers are Westat, Lockheed Martin and Booz Allen Hamilton. Choice Hotels, one of the worlds largest hotel companies, moved its headquarters to Rockville Town Center in 2013, and has since built Cambria Suites across from their corporate offices, which is used as their signature facility and a training hotel.

Table 7 - Top 25 Employers in Rockville

| Employers | # of Employees |
|---|----------------|
| Montgomery County Government | 4,758 |
| Montgomery County Public Schools | 2,500 |
| Westat | 2,150 |
| Montgomery College | 1,944 |
| Lockheed Martin Information Systems | 1,500 |
| Booz Allen Hamilton | 1,282 |
| City of Rockville | 520 |
| Choice Hotels International | 400 |
| BAE Systems | 382 |
| The EMMES Corporation | 365 |
| Meso Scale Diagnostics | 325 |
| U.S. Food and Drug Administration | 300 |
| Comcast | 300 |
| John C. Grimberg Engineers and Contractors. | 300 |
| EU Services | 285 |
| Fisher BioServices | 278 |
| Avendra | 250 |
| Montgomery Hospice | 250 |
| GEICO | 250 |
| Otsuka America Pharmaceutical, Inc. | 248 |
| Aronson & Company | 225 |
| Supernus Pharmaceuticals, Inc. | 193 |
| Thomson Reuters | 175 |
| Aeras | 150 |
| NASDAQ OMX | 150 |

Source: Rockville Economic Development (REDI), 2015

As can be seen in Table 7, government, including public education, employs the most workers in Rockville. Local government is by far the largest component of that employment, with Montgomery County Government, Montgomery County Public Schools and Montgomery College providing approximately 9,200 jobs in the city. When adding the City of Rockville jobs, there is a total of more than 9,700 people working for local government within the city limits. The State of Maryland's major presence in Rockville is the District Court in Town Center. This report does not have employment data for that building.

The focus of Montgomery County Government's non-education employment is in Town Center, especially, but not exclusively, in the Executive Office Building, the Council Office Building, the Montgomery County Circuit Court, and the privately owned 255 Rockville Pike. In combination with Rockville's City Hall and Police Station, as well as other office space owned or leased for County functions (and Richard Montgomery High School), local government generates a substantial amount of activity and supports many Town Center private-sector services, including restaurants, retail, attorneys, printing, medical offices, and much more. Even as new buildings are built, and some government functions move elsewhere, both Montgomery County and the City of Rockville are invested in Town Center for the long run, making local government a long-term "anchor" for downtown Rockville's economy.

The County government provides employment in other parts of the city, as well. Locations include, but are not limited to, the Detention Center and Public Works facility on Seven Locks Road, and social services provided in various locations (Piccard Drive, Twinbrook and Southlawn). These facilities are, mostly, in environments that are less mixed-use and therefore have fewer nearby services to support. The City also has employment locations throughout Rockville, at community and other specialty centers as well as at the public works facility on Rothgeb Drive.



Employment in public education is of two types in Rockville. The first is Montgomery County Public Schools (MCPS). MCPS employs people at individual schools, which are mostly within residential neighborhoods; as well as at multiple MCPS Headquarters sites in the northern portion of the city.

The second type of public education is Montgomery College, which employs almost 2,000 people to service the more-than 20,000 enrolled students who attend classes at the Rockville campus. The economic impact of this intense activity center, located just north of Rockville Town Center, has not been fully realized. Though the impact is likely already to be substantial, there are not obvious signs that it is so, as almost no college-oriented retail or restaurants are visible. The college campus may represent an economic opportunity for the city that can be better leveraged.

Of private sector employment, technology and consulting firms represent the largest focus of activity. Many of them, including Westat and Lockheed Martin, rely on the federal government for a significant amount of their business.

A particularly important element of Rockville's economy is the large collection of firms working in the biomedical sector, consistent with Montgomery County's overall strength in this area. Though there is a concentration of these firms in the newer office buildings in the northern parts of the city, they are located throughout the city: in Town Center (Emmes), Research Boulevard (Meso Scale Diagnostics) and Southlawn (Fisher BioServices).



Westat, Rockville



Choice Hotels, Rockville



Montgomery County's Largest Employers

Similar to the city, many of Montgomery County's largest employers are public sector entities, or rely on public contracts and funding. Knowledge-based businesses, with a high concentration in research and development as well as government contracting, drive Montgomery County's economy.

Leading industry clusters such as life sciences, information technology, and healthcare benefit from a highly educated workforce and the contracting and research opportunities with the U.S. government.

Biomedical research is carried out by institutions including Johns Hopkins University's Montgomery County Campus (JHU MCC) and the Howard Hughes Medical Institute. Federal government agencies engaged in related work include the Food and Drug Administration (FDA), the National Institutes of Health (NIH), and the Walter Reed Army Institute of Research. The concentration of biotech companies creates significant opportunities for additional tax revenues; creating high paying jobs and a highly educated workforce; research and development funding; and business growth.

In addition, the county has a large presence of hospitality companies, financial services, agriculture/horticulture businesses and construction/real estate corporations.

Companies in the county range from large publicly-held corporations to entrepreneurial start-ups.

Table 8 - Top 25 Employers in Montgomery County

| Employers | # of Employees |
|--|----------------|
| National Institute of Health | 17,300 |
| U.S. Food and Drug Administration* | 13,130 |
| Naval Support Activity, Bethesda | 11,690 |
| Montgomery County Government* | 9,100 |
| Marriot International | 5,500 |
| Lockheed Martin* | 4,690 |
| National Oceanic and Atmospheric Administration | 4,600 |
| Advenist Health Care | 4,290 |
| Holy Cross Hospital | 3,900 |
| Giant Food | 3,150 |
| Verizon | 2,870 |
| Montgomery College* | 2,850 |
| National Institute of Standards and Technology | 2,730 |
| U.S. Nuclear Regulatory Commission | 2,700 |
| Kaiser Foundation Health Plan | 2,640 |
| Medimmune | 2,290 |
| GEICO | 2,270 |
| U.S. Department of Energy | 1,800 |
| Henry M. Jackson Foundation for the Advancement of Military Medicine | 1,780 |
| Suburban Hospital | 1,770 |
| Red Coats / Admiral Security Services | 1,640 |
| Naval Surface Warfare Center, Carderock Division | 1,580 |
| Discovery Communication | 1,510 |
| IBM | 1,500 |
| Target | 1,460 |

*Includes Rockville employees.

Numbers are rounded. Excludes post offices, state and local governments; includes public higher education institutions. Employee counts for federal and military facilities exclude contractors to the extent possible; embedded contractors may be included.

Sources: Montgomery County Department of Economic and Maryland Department of Commerce, October 2015



Table 9 - Rockville Establishments

| Industry Sector | # of establishments |
|---|---------------------|
| Professional, scientific, and technical services | 875 |
| Health care and social assistance | 337 |
| Retail trade | 321 |
| Accommodation and food services | 252 |
| Other services (except public administration) | 244 |
| Finance and insurance | 240 |
| Administrative and support and waste management and re-mediation services | 189 |
| Real estate and rental and leasing | 131 |
| Information | 88 |
| Wholesale trade | 74 |
| Manufacturing | 61 |
| Arts, entertainment, and recreation | 41 |
| Transportation and warehousing (104) | 37 |
| Educational services | 34 |
| Utilities | 1 |

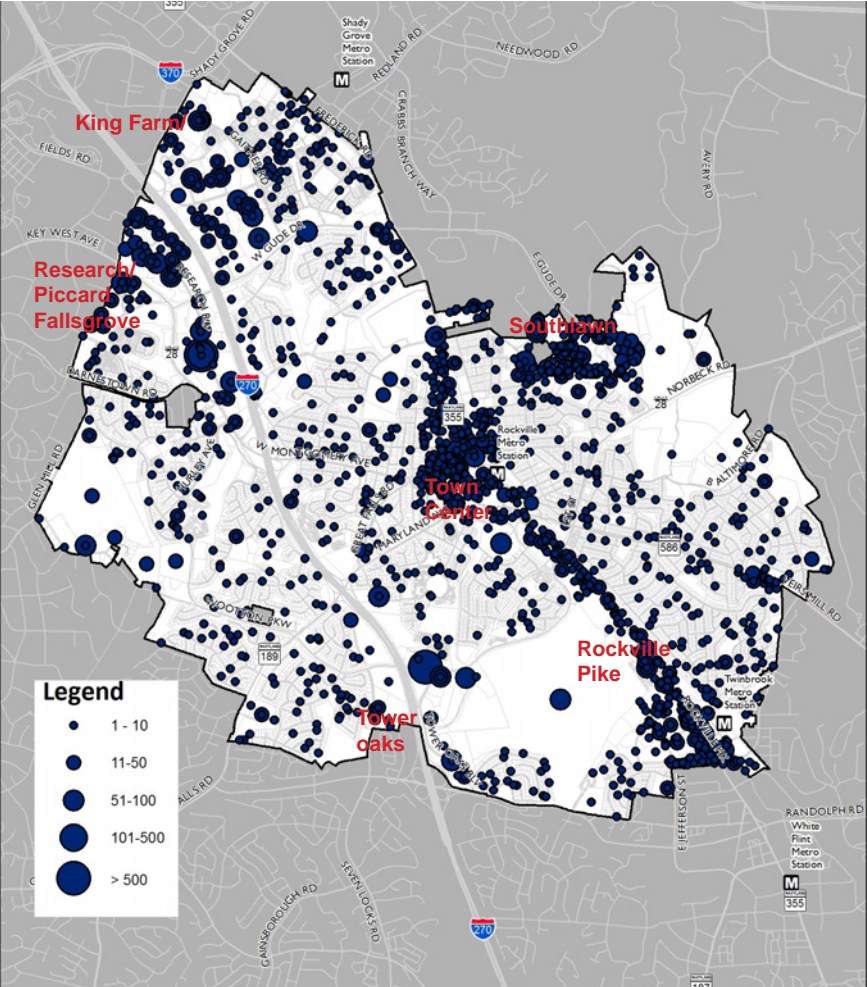
Source: Economic Census, 2012 Data, extracted on May 3, 2106

According to the 2012 Economic Census, there were a total number of 2,925 employment establishments in the City (not including public administration). The U.S. Census Bureau describes establishment as “a single physical location where business is conducted or where services or industrial operations are performed.”

The City of Rockville has a very diverse jobs base, with a mix of office, retail, and industrial jobs. Employers range from large public and private entities to small businesses that have employees that range from one to ten.

Figure 1 shows that employment in Rockville is spread throughout the city, including in home-based businesses; though the highest concentrations are in certain areas such as the Town Center, Rockville Pike, Research/Piccard, King Farm, etc. The following table shows that over 90% of employers in Rockville have fewer than 100 employees.

Figure 1 - Rockville's Job Locations



Source: 2010 InfoUSA Data, CPDS

Table 10 - Size of Employers, by Percentage

| Employees | Percentage |
|-----------|------------|
| 0-100 | 91.00% |
| 101-200 | 4.73% |
| 201-300 | 1.97% |
| 301-400 | 0.80% |
| 401-500 | 0.50% |
| >500 | 1.00% |

Source: InfoUSA 2010

Figure 2 - Employment Areas in the City

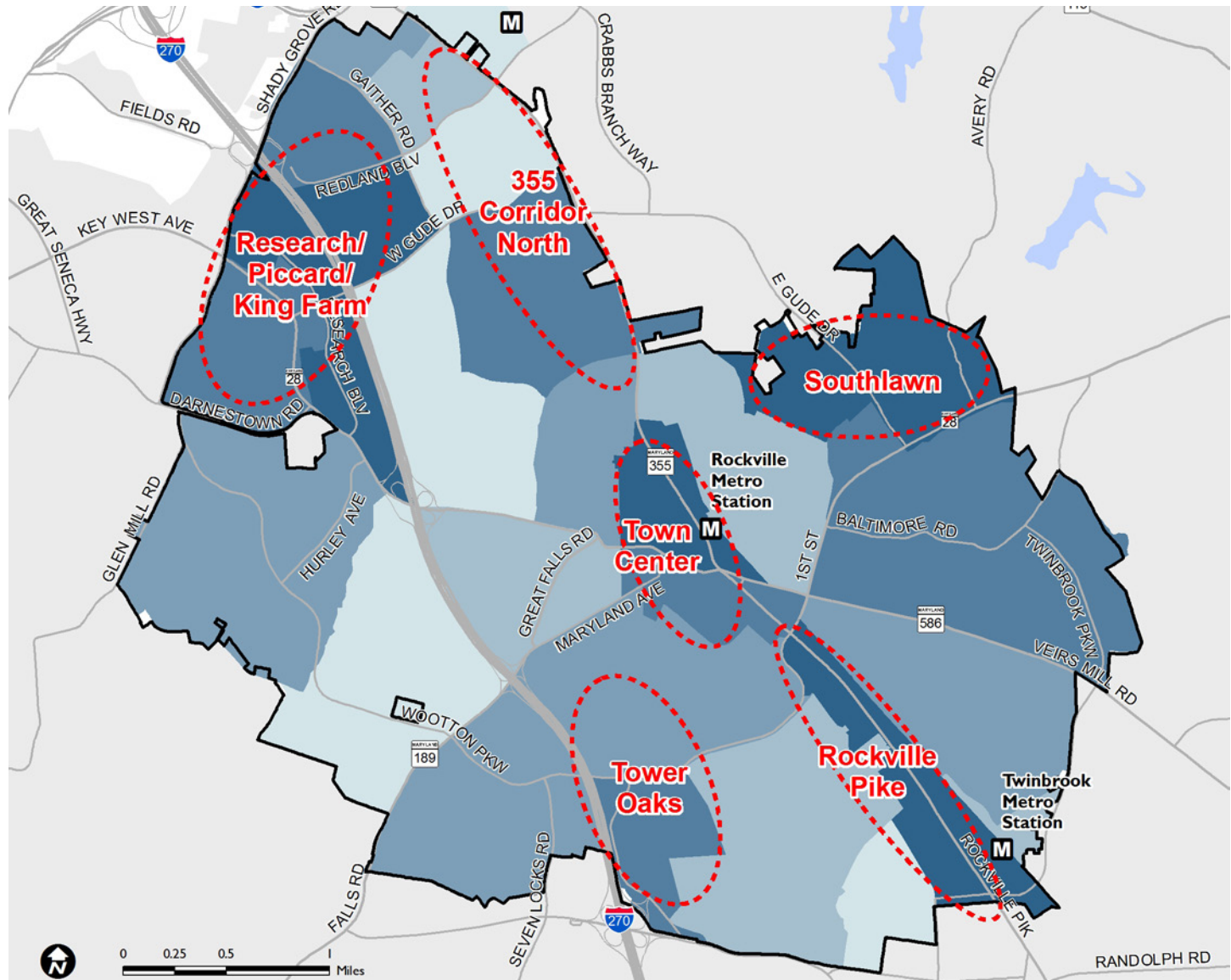


Table 11 - Approximate Number of Jobs by Location (2015)

| Location | # of Jobs |
|---|-----------|
| Research/Piccard/King Farm/Fallsgrove | 23,000 |
| Rockville Pike (South of Richard Montgomery Dr to Southern City boundary) | 15,300 |
| Town Center | 9,800 |
| Southlawn | 5,800 |
| 355 Corridor North-(Mannakee St to Northern City boundary) | 4,500 |
| Tower Oaks | 12,100 |

Source: Draft Round 9 Cooperative Forecasts



Rockville's Job Sectors

Rockville's Office, Industrial and Retail property sectors are discussed under this section to provide a baseline assessment of the existing and projected economic activity; and spatial distribution of the various markets and the market drivers in the City. Other jobs also exist in the City that include state and local government; schools and colleges; hotels, and more. Those areas are also discussed.

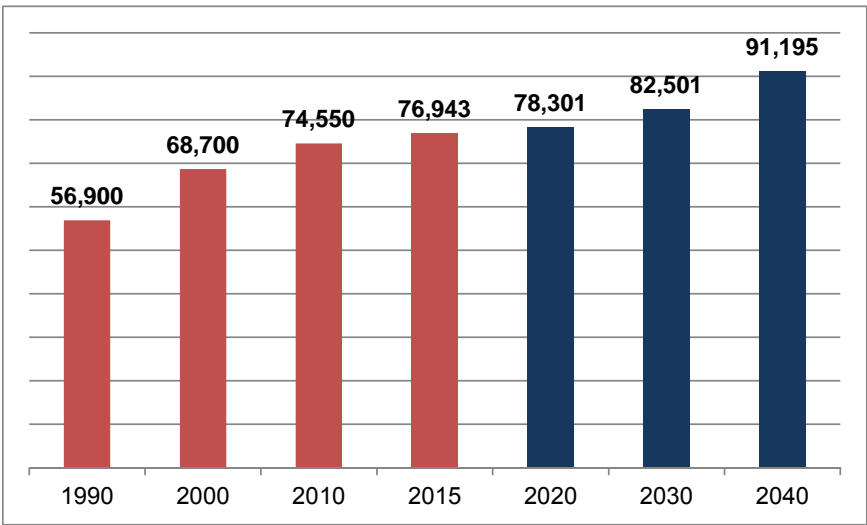
The purpose of the section is to identify Rockville's core strengths and provide information to plan for future land uses and infrastructure, and also to raise questions that should be addressed in the process to update the City's master plan.

Table 12 - Estimated Jobs by Category (2015 and 2040)

| Categories | Jobs (2015) | Jobs (2040) |
|------------|-------------|-------------|
| Office | 49,123 | 59,512 |
| Retail | 11,523 | 13,314 |
| Industrial | 4,136 | 4,156 |
| Other | 12,161 | 14,212 |
| Total | 76,943 | 91,195 |

Source: Draft Round 9 Cooperative forecasts

Figure 3 - Past and Future Projected Job Growth



Source: Draft Round 9 Cooperative Forecasts

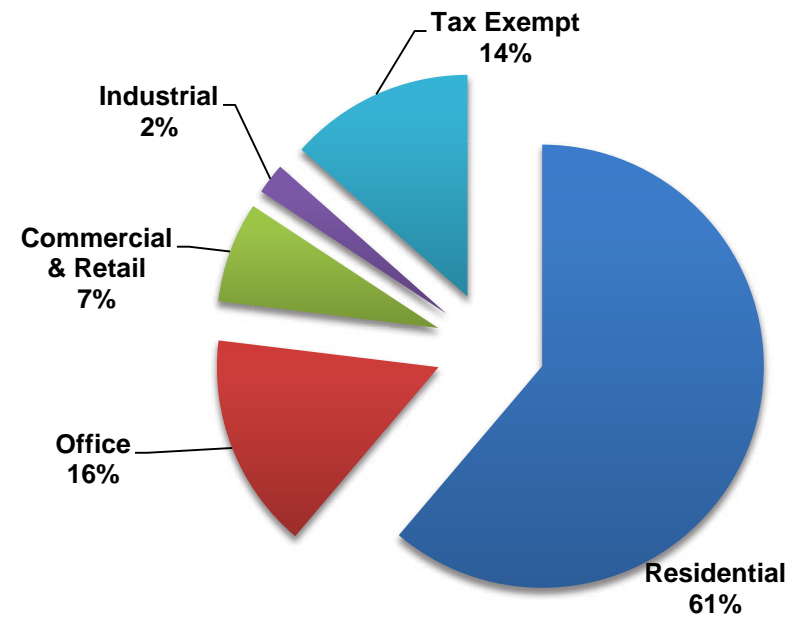
Before discussing the various markets and sectors, a brief overview on the existing land use and assessed property values is provided as property taxes are a large source of revenue for the City.

Land Use

As discussed earlier in this document, Rockville's largest source of revenue is real property tax. The amount of taxes is based on the City's tax rate and the value of the property. The Maryland State Department of Assessments and Taxation (SDAT) is responsible for determining the assessed values for all properties located in the City of Rockville.

The following chart shows the assessed value of different categories of properties in Rockville by land use. Residential properties represent, by far, the largest amount of assessed value, followed by office properties. Because of the large government presence in Rockville, a substantial portion (14%) of assessed value is tax exempt and therefore does not generate revenues for the City.

Figure 4 - Total Assessed Value by Land Use (2015)



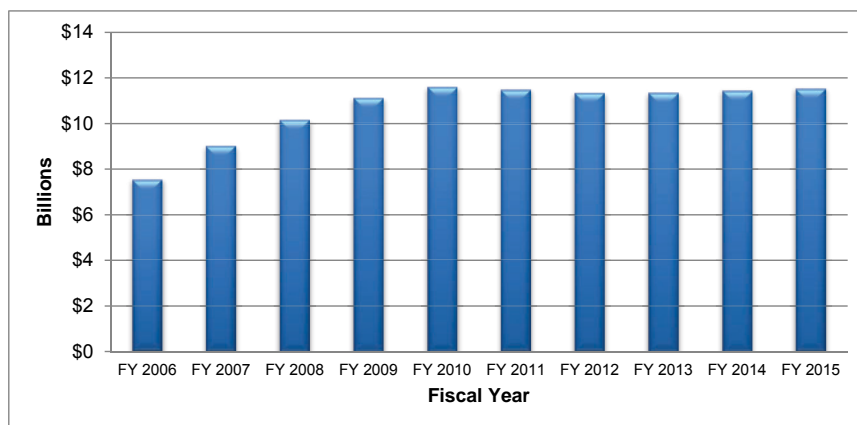
Source: Maryland State Department of Taxation and Assessment (SDAT)



The following chart shows the taxable real property assessed value over the past ten years. Real property taxes are the taxes on the assessed value of real estate (including land and structures on the land). The Mayor and Council establish the tax rate each year in order to finance General Fund activities.

As seen in the chart, the large increase in assessed value from FY 2006 to FY 2010 was followed by a period of relative stability. The early period was driven by construction in King Farm and Falls Grove primarily, but also from the rapid appreciation that occurred just before the recession. Since then, there has been no major growth.

Figure 5 - Taxable Assessed Value by Fiscal year



Source: Page 82 of the FY 2015 Rockville's CAFR (Comprehensive Annual Financial Report)

Assessments are based on property values, which are dependent on a variety of factors, and are prone to fluctuations depending upon market and national conditions. If property values decline, revenues also decline, which may result in a need to cut public services and amenities, and a reduction in the quality of life for residents and businesses. A coordinated and targeted economic development approach could assist the City by enhancing the assessable tax base in ways that are fiscally beneficial long-term, to avoid having to cut services or raise taxes.

Discussion Topics

- What can the master plan do to attract uses that will yield sustainable economic and fiscal benefit to the City over the long term?
- How would Rockville like to “brand” itself to pursue its economic development goals?
- Is the City able to fund the necessary infrastructure improvements and meet the demands of services with the existing sources of revenue?



Rockville Downtown



Office Market

There are a variety of office spaces in the city; including in individual buildings such as those in Town Center and along Rockville Pike, or in campus-like office parks. There are also office condominiums and home-based offices.

However, the majority of office employment in the City is located along Rockville Pike, Research/King Farm/Piccard/Fallsgrove, Town Center and Tower areas in approximately 600 acres or 8.5 percent of the total city land area.

Table 13 - Rockville Office Space (2015)

| Total Square Feet | Total Vacant Square Feet | Average Rent (2010-2015) | %Vacant |
|-------------------|--------------------------|--------------------------|---------|
| 12,510,429 | 2,241,665 | \$29 per square foot | 16.6% |

Source: CoStar (May, 2016)

Most jobs in Rockville are located in offices. In 2015, Rockville had approximately 49,100 jobs located in offices representing an estimated 63% of all Rockville jobs. They include the professional and business sectors; health care professionals; finance and insurance; and others.

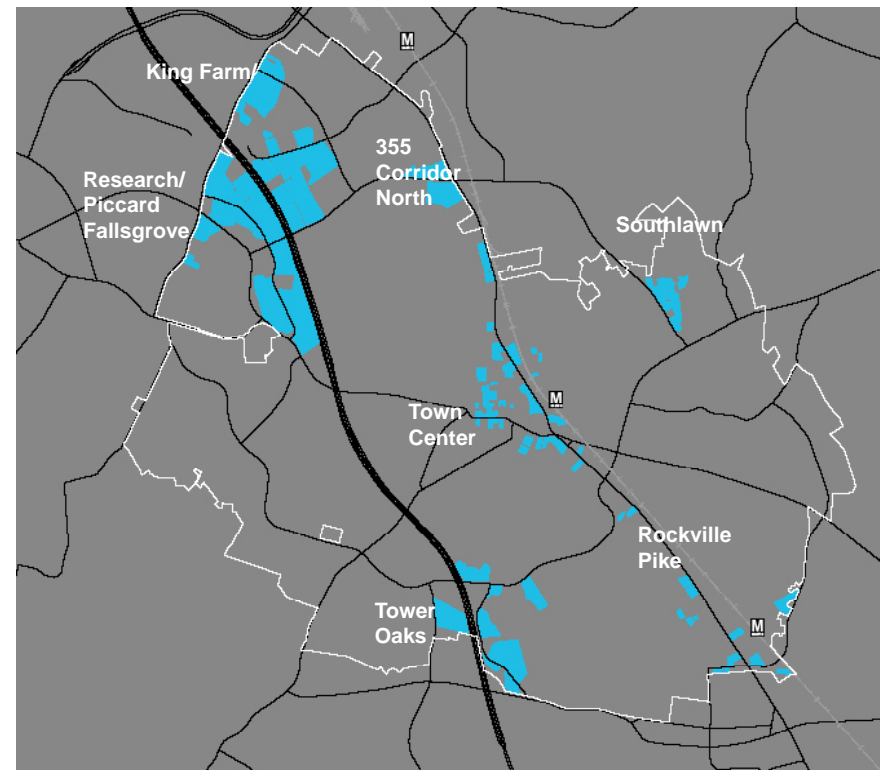
More than 42% of Rockville's office jobs are located in the I-270 corridor, along Research Boulevard and Piccard Drive; or in King Farm and Fallsgrove. Other key locations are shown on Table 14 and Figure 6.

Table 14 - Office Jobs by Location (2015)

| Location | Approx. # of office Jobs | Approx. Office Sq Ft. |
|--|--------------------------|-----------------------|
| Research/Piccard/King Farm/Fallsgrove | 21,000 | 15,200,000 |
| Rockville Pike (South of Richard Montgomery Dr to South within the City boundary) | 7,000 | 1,500,000 |
| Town Center | 6,300 | 3,100,000 |
| Southlawn | 3,200 | 425,000 |
| 355 Corridor North (Mannakee St to Northern City boundary) | 2,200 | 980,000 |
| Tower Oaks | 4,400 | 1,200,000 |
| Others | 5,000 | 1,595,000 |

Source: Draft Round 9 Cooperative Forecasts

Figure 6 - Office Use Locations





The following large office projects that have been approved by the City, but have not yet been built, are shown on Table 15:

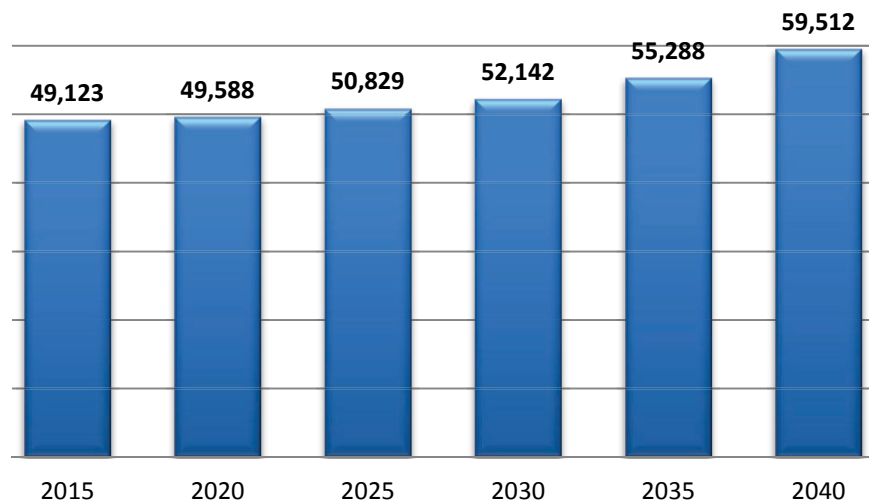
Table 15 - Approved, but not built office (Nov, 2015)

| Projects | Office Square feet Approved |
|--------------------------------|-----------------------------|
| Twinbrook Station | 325,000 sf |
| Tower Oaks | 425,000 sf |
| Foulger Pratt (Town Center) | 190,000 sf |
| Rockville Center (Town Center) | 394,200 sf |
| Fallsgrove | 132,500 sf |

Source: CPDS

To date, no construction has proceeded on those approved projects. Provided they get developed, and other development occurs, the estimated growth in office jobs will be as shown in the following figure:

Figure 7 - Existing Office Jobs and Projected Growth



Source: Draft Round 9 Cooperative Forecasts

Current Trends in the Office Market

In June of 2015, the Montgomery County Planning Department, with the help of the consulting firm, Partners for Economic Solutions (PES), completed an in-depth assessment of regional market office conditions and its implications for the County. The Office Market Assessment Report³ highlights challenges, including high and rising vacancies, declining rents, slow absorption and minimal new construction.

Key findings from the report include:

- The region has been hard hit by cuts in federal spending and leasing, and by shifts in the amount, type and location of office space that tenants are seeking.
- Most jobs created since 2010 have been in retailing, restaurants and medical facilities, and not in offices.
- Office tenants everywhere are reducing their square footage in response to new technologies, more efficient workspace designs and practices such as telecommuting, "hoteling" and "benching."
- Montgomery County office centers located in mixed-use developments with quality amenities, a sense of place and good transit connectivity are best positioned to compete. This trend is consistent with recommended land use strategies in recent County plans for White Flint, Bethesda, White Oak and other communities.
- Single-use office developments without convenient transit or highway access are attracting fewer tenants.
- Future office development is likely to occur at a slower pace and concentrate in prime locations. Less attractive locations may not attain the level of office development and occupancy they experienced in the past.
- There is a broad shift by businesses in the region to more modern office space, often near mass transit or other amenity-rich areas.

The findings are relevant to Rockville as they are consistent with the current trends, and can be used to guide the Master Plan.

3. The report is available on the Montgomery County website at <http://www.montgomeryplanning.org/research/>



Just beyond Rockville's southern borders, office parks in Rock Spring and Executive Boulevard are also facing relatively high vacancy rates. Rock Spring vacancy rates will increase further if Marriot carries out its announced intention of moving to a more Metro-oriented location.

Other trends in the office market prevalent in the last two years have been conversions of approved, but not built, office projects to residential uses. As an example, at King Farm, 129 townhouses were approved at a location that was originally planned for 600,000 square feet of office space. The City has received similar requests from applicants from properties in other areas of the city, such as in Tower Oaks and along the MD 355 corridor.

The County's office market report also noted that the federal government's Freeze the Footprint initiative to reduce the amount of private space leased has resulted in consolidation, and reduction in overall occupied office space. Federal requirements for leasing new office space mandate that any new leases signed by the government be within a walkable half-mile distance to a Metro station. Examples of office spaces being impacted by the federal initiative within the city limits include buildings located at 1330 Piccard (133,895 square feet) and 1 Choke Cherry (228,020 square feet), both of which will be vacated by the year 2017.

The trends may have also contributed to the Bank of America moving its regional offices from Tower Oaks to White Flint, just outside the City limits, and in a more urban setting.



Picture taken in 2012 showing Bank of America as a key tenant at 1101 Wootton Parkway



1 Choke Cherry



1330 Piccard Dr



Townhouses proposed on a previously approved office site at King Farm



Rockville's Strengths

Rockville has strengths relative to other parts of the county. The Office Market report notes that Rockville's increasingly amenity-rich and transit oriented Town Center has a lower vacancy rate than other similar areas. The move of Choice Hotels Headquarters from an isolated campus is emblematic of the trend and of Town Center's growing attractiveness.

The office park area near Shady Grove Road and I-270 has a lower vacancy rate, and higher absorption, than other similar office parks in the County. Access to I-270 and the interstate highway system is an asset. As noted, however, site-specific conversions to self-storage, retail and residential uses are taking place.



Choice Hotels Headquarters, 1 Choice Hotels Circle

Discussion Topics for Office Market

- What policies would help to support and attract office users?
- How should the master plan respond to changes in market demand for office space, especially as it affects areas of the city that have, for decades, been suburban office locations?
- Office users are increasingly demanding amenity-rich locations, and desire a livelier environment. What policies and strategies might the City take to remain competitive to office users? Are there investments in activities and facilities, changes in land use or zoning so as to introduce other uses, or approaches to urban design, which would support a long-term robust office market in Rockville?
- What investments in infrastructure (e.g., water/sewer, information, transportation) would support this key employment sector?
- What other types of incentives may be appropriate to include as long-term master plan policies?



Industrial Market

Industrial uses in Rockville are predominantly along E. Gude Drive, Stonestreet Avenue and Southlawn Drive. Industrial uses occupy 211 acres, or 3 percent of the total land area in Rockville, though many occupants of these areas are not industrial.

Industrial uses play an important role in supporting city businesses, government agencies, residents, as well as the broader county and the region. Most industrial space in Rockville is designed for light production and assembly, and such operations as auto repair, printing, pest control services, private mailing, landscaping, and others. There is no heavy industry in Rockville.

Table 16 - Rockville Industrial Space (2015)

| Total Square Feet | Total Vacant Square Feet | Average Rent (2010-2015) | % Vacant |
|-------------------|--------------------------|--------------------------|----------|
| 2,500,000 | 150,000 | \$13 per square foot | 6% |

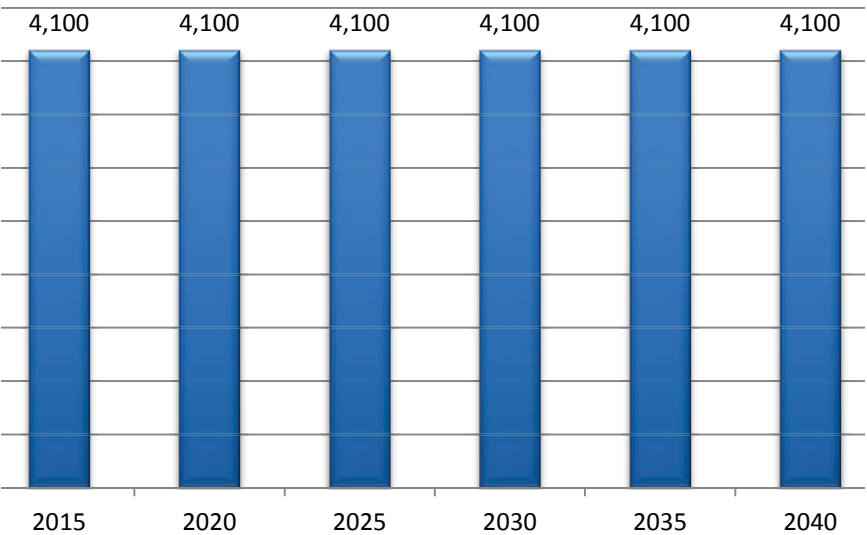
Source : CoStar (May, 2016)

Current Trends in the Industrial Market

The City has recently conducted a feasibility study on a portion of Rockville’s Southlawn industrial area to identify possible land use and traffic solutions to minimize the negative impacts of industrial uses on adjacent residential areas. The study discussed trends in the area and recommended various strategies to improve traffic, streetscape, safety and ways to implement economic incentives and is available on the City’s website. It projects that Southlawn will remain in its current character for the foreseeable future.

The pace of new industrial construction has slowed in recent years and there is not much approved or proposed development in the pipeline or projections, as seen in the chart for proposed growth. However, the vacancy rate in the existing industrial space is fairly low, indicating a reasonably healthy market.

Figure 8 - Existing Industrial Jobs and Projected Growth



Source: Draft Round 9 Cooperative Forecasts

Figure 9 - Industrial Use Locations





Importance of Industrial Markets

The Montgomery County Planning Department conducted a study on Industrial Land Use in the County in October, 2013. The study highlighted the importance of industrial areas, which are relevant to the prevalent industrial uses in the city.

A summary of the findings is as follows:

- Industrial zoning provides space for a variety of businesses and organizations. Such uses are also important generators of jobs for lower-skilled residents who do not have college degrees (but not exclusively).
- Industrial buildings typically offer much lower rents than office or retail buildings, providing an affordable platform for small businesses and start-ups.
- Industrial areas are crucial in meeting the public sector operational and maintenance responsibilities, such as providing a location for maintenance vehicles and equipment, sand and salt-domes, facilities, etc.
- The report referenced that the Southlawn industrial area in Rockville provides a large footprint of indoor recreational uses, such as soccer and an ice rink.
- The report also noted that one of the most serious threats to an active industrial district is new residential development adjacent to industrial areas. Residents tend to constrain business operations by raising objections to industrial uses, and to less-pristine appearance.



1000 Taft St



651 Southlawn Ct.



40 Southlawn Ct.



Discussion Topics for Industrial Market

- What policies would help Rockville support and attract industrial users to the desired areas of the city?
- How should the master plan manage the border areas between industry and residential neighborhoods, as discussed in the 2002 CMP, and both the Lincoln Park and East Rockville Neighborhood Plans?
- Is there sufficient water/sewer capacity in industrial areas?
- What approach should the master plan take to non-industrial uses occupying spaces in areas of the city traditionally occupied by service industrial uses? Examples include retail, athletics, entertainment and residential uses in the Southlawn area.

Retail Market

Rockville has a very vibrant retail market, with a wide diversity of shopping and dining options, providing a significant economic and social impact on the City. Rockville's broad array of offerings include national chains, specialty stores, automobile dealers, furniture and home furnishings, gas stations, convenience stores, groceries and restaurants focused on specific national/ethnic groups, and much more. They are located on major roads in shopping centers, within or on the edges of some neighborhoods, in Town Center, and scattered along MD 355 and E. Gude Drive. Rockville's retail is spread out in approximately 300 acres, or 4% of the City's total land area.

Figure 10 - Retail Use Location





Rockville’s retailers and restaurants draw from all directions, and benefit by the high level of affluence, on average, both within Rockville and in the central and western portions of Montgomery County.

Despite this relative level of success, there are gaps in the retail offerings. Rockville contains very few of the large-footprint retailers that grew to prominence in recent decades. Gaps include large clothing stores, “big box” (e.g., Target, Walmart, Sears), books, hardware and general department stores. Some of the gaps with the “big box” construction may be attributed to the City’s regulatory process and policy choices.

Many such stores are located immediately south of the city along Rockville Pike; and immediately to the north, on the opposite side of Shady Grove Road from the city limits. A bit further, but still very nearby, are Westfield Montgomery Mall and the surrounding large-footprint retail (e.g., Home Depot); and the RIO Washingtonian Center to the north. The developing new retail/restaurant centers south (Pike & Rose) and northwest (Crown Farm) already provide additional offerings of this sort just beyond the city limits.

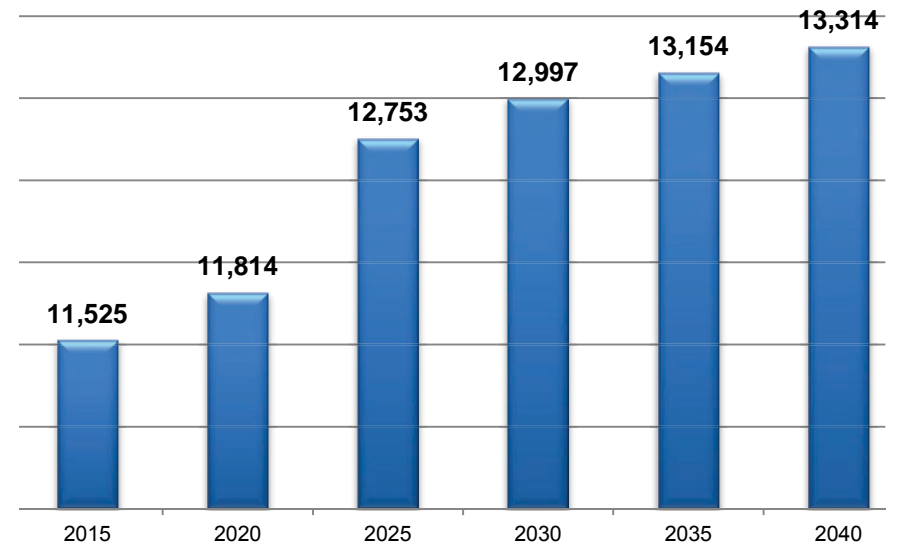
Nonetheless, Rockville remains an attractive location for retail, with a relatively low vacancy rate as seen in the following table.

Table 17 - Rockville Retail Space (2015)

| Total Square Feet | Total Vacant Square Feet | Average Rent (2010-2015) | %Vacant |
|-------------------|--------------------------|--------------------------|---------|
| 4,402,233 | 249,985 | \$23 per square foot | 5.7% |

Source : CoStar (May, 2016)

Figure 11 - Existing Retail Jobs and Projected Growth



Source: Draft Round 9 Cooperative Forecasts

Major shopping centers include the following, though the following table represents less than half of the total retail in the city.

Table 18 - Rockville Major Shopping Centers

| Rockville Pike and MD 355 Corridor: | |
|---|-----------------------|
| Congressional Plaza | 327,874 sq. ft. |
| Congressional North | 185,229 sq. ft. |
| Congressional Village | 99,400 sq. ft. |
| Twinbrook Square | 91,411 sq. ft. |
| Wintergreen Plaza | 154,072 sq. ft. |
| College Plaza | 106,687 sq. ft. |
| Town Center: | |
| Courthouse Center | 44,000 sq. ft. |
| Regal Row | 156,046 sq. ft. |
| Town Square | 185,000 sq. ft. |
| Neighborhood Centers (greater than 50,000 sq. ft.): | |
| Fallsgrove Village Center | 150,000 sq. ft. |
| King Farm Village Center | 122,486 sq. ft. |
| Rockshire Center | 51,862 sq. ft. |
| Twinbrook Mart | 53,000 (app.) sq. ft. |
| Twinbrook Center | 122,805 sq. ft. |



Current Trends in Retail Market

The retail market is changing, as it always has. Prior shifts, affected by broader market trends, included the replacement of small bookstores and hardware stores by large-footprint versions; and the consolidation of scattered retail into automobile-oriented shopping malls and “power centers,” featuring multiple “big-box” stores such as the Milestone Shopping Center in Germantown.

Now, even large-footprint bookstores are struggling, and both music stores (selling records, tapes or CDs) and video rentals have virtually disappeared. Current trends include the emergence of e-commerce and “lifestyle” centers, such as the Washingtonian Center in Gaithersburg, designed not just for shopping but for the ambience as well. However, new retailers have emerged such as a much greater variety of grocery offerings, including natural/organic, and specialty ethnic.

Continued rising population will almost certainly contribute to continued rising demand for such necessities as food, pharmaceutical products, clothes, and other daily-use items. However, traditional formats for selling even these most basic of items are being challenged by both new physical formats and e-commerce. Rockville’s continued attractiveness for shoppers will almost certainly be based, in large measure, on its ability and willingness to adapt to and take advantage

of changing market conditions. Rockville retail markets are discussed under the following categories; mixed-use centers, automobile oriented retail, neighborhood centers and specialty stores offering a wide variety of ethnic goods.

Mixed-Use Centers

Rising land values and the continuing demand for residential development to serve the rising regional population have increased incentives for property owners to redevelop single-story traditional shopping centers into mixed-use centers, with retail on the ground floor and residential multifamily units in upper floors. This trend is most pronounced on sites closest to the Twinbrook, Rockville and Shady Grove Metro Stations, where multifamily housing is most in demand. Retail formats and offerings are likely to change during this evolution, in ways that are still being defined.

The long-term strength of the retail in the new Rockville mixed-use projects has yet to be proven. Reasons that have been considered include the still-restrained spending resulting from the economic downturn in 2008-2009; challenges of parking formats (the change to structured, rather than surface, parking); the paucity of such high-volume “anchor” entities as department (“big-box”) stores or large-scale cultural organizations located in the retail centers, which are present in some of the competitor locations just outside of Rockville; signage regulations; insufficient residential and/



Fallsgrove Shopping Center



or employment density to support the urbanized retail space; and transportation infrastructure/congestion.

Automobile Oriented Retail

Despite the evolution toward mixed-use centers, it is expected that a significant amount of single-story automobile-oriented retail will remain, especially on smaller sites that are not as proximate to transit. Auto related businesses, such as car dealerships along Rockville Pike contribute to regional retail activity. Occupants of the existing large number of single-family homes that are not proximate to transit will still rely on automobiles to access certain types of retail, though internet based e-commerce has begun to serve these neighborhoods.

Neighborhood Centers

There are at least two types of neighborhood centers in Rockville: those located within neighborhoods rather than on major mixed-use corridors (Woodley Gardens, Rockshire Center, King Farm Village Centers), and those located on busier corridors (Twinbrook and Fallsgrove). Performance and strength is variable and due to multiple factors. The centers located in Rockshire and King Farm have, as of this report, a significant amount of vacancy; while Fallsgrove is consistently busy and full. The future of the centers within neighborhoods, and not on high-traffic corridors, may need focus in this master plan.

Specialty Stores with Ethnic Offerings

There is a clear growth in retail offerings serving new immigrant populations. Two new large-format grocery stores north of Town Center along the 355 corridor have opened within the past 2 years, both catering to the increased demand for East Asian food. There are smaller grocery stores serving foods from India, Iran, Turkey, Japan, Eastern Europe, South and Central America, the Middle East, and much more. This trend appears to be a strong in Rockville, especially in comparison to surrounding areas where these offerings are, at present, less pronounced.

Discussion Topics for Retail Market

- What policies would help maintain, and potentially expand the thriving retail sector?
- How flexible or strict should City Master Plan policies be in promoting or allowing retail to adjust to changing market conditions? Considerations might include regulations regarding the size, location, and format of stores, as well as for parking and signage.
- Should the City embrace promotional approaches to retail, including recruitment of retail and/or assistance in expansion? If so, what niches might Rockville fill?
- Should the City develop strategies to encourage and better support “night-life”?
- Should the City develop strategies to encourage “anchor” activities or organizations (cultural activities such as theater, museum, etc.), which can provide complementary and supportive activity for retail?
- In which settings should the City encourage, or even require, urban-style retail that is adjacent to public sidewalks; and in which settings should there be more flexibility?



Congressional Shopping Center



Other Employment

Rockville's economy, similar to others, has a set of employment locations that do not fit neatly into the categories of Office, Industrial or Retail. They include, but are not limited to:

- Government/education – government administrative buildings, education, community centers, convention centers, libraries, courts, etc.
- Arts, Entertainment and Recreation – Gymnasiums of all sorts, swimming pools, golf courses, theaters, stadiums, concert halls, indoor arenas, museums, arts centers, dance studios, etc.
- Lodging – hotels, motels, etc.
- Health Care – hospitals, clinics, etc.

This report does not provide a comprehensive discussion of these uses or the different markets for the spaces that they need. Their direct economic impacts are better understood by referencing Table 6, which provides the number of direct jobs by sector in Rockville. However, key opportunities are briefly presented, for consideration during the Rockville 2040 process to update the City's master plan. Discussed below are civic/government and art, entertainment and recreation.

As indicated in a discussion earlier in this document, local government and education are already highly important in Rockville's economy, providing the greatest number of jobs. Local government (County and City) employment in Town Center is almost certainly generating a significant economic multiplier that positively effects the broader economy, though this impact has not been quantified. It supports restaurants, retail and services that might not be able to survive if they could only rely on the evening demand that comes from residents. That spinoff vitality is one of the key reasons that Choice Hotels decided to establish its headquarters offices and hotel in downtown Rockville. Local government, in its many forms, is a key anchor for the health of Rockville Town Center and is recognized as such in the City's Comprehensive Master Plan and the Town Center Master Plan.

Some jurisdictions attempt to bring economic growth by attracting federal facilities, hoping for both direct jobs and broader economic benefits. The federal employment currently

in Rockville tends to be, with some exceptions, in suburban office parks. As such, there is limited economic impact beyond the impact on the direct employees and revenues (if the buildings are privately owned). There are very large federal facilities located immediately beyond the city border: the 5000-employee building of the Department of Health and Human Services, east of the Twinbrook Metro Station; the new National Cancer Institute complex just beyond Shady Grove Road; and the Nuclear Regulatory Agency, just south of the city along Rockville Pike. It is unclear how much economic impact these nearby facilities have on Rockville. Whether attracting federal facilities to Rockville is a worthwhile goal would need to be studied on a case-by-case basis, relative to the proposed use and the potential for economic benefits. These uses are frequently non-taxpaying properties and, if they are secured facilities, may not generate other local economic activity.

Many jurisdictions have, however, begun to have a broader appreciation of the many ways that colleges and universities can have positive impacts, including on the overall economy. Montgomery College appears to be an opportunity of this sort, considering that almost 2,000 employees and more than 20,000 students visit the campus, and therefore the city, on a regular basis. As stated earlier, there is no visible impact of the college in nearby areas, including and especially along the MD 355 commercial corridor. This report takes the position that better integrating the college into the public life of the city is likely to be beneficial to both the city and the college; and that the updated master plan could establish supportive policies.

Arts, entertainment and recreational uses are important components of some of cities' economies. At present, in addition to City-owned facilities, Rockville has a series of privately owned institutes for dance, music and arts that provide wonderful service but, in aggregate, have a limited economic impact. There is relatively low overall employment in this sector (Table 6) and the locations of the centers do not tend to promote significant secondary economic benefits.



Many jurisdictions have, as core parts of their overall strategy for economic development, goals to attract such uses, or support their development. Montgomery County's support for the Fillmore Silver Spring and Imagination Stage in Bethesda had the purpose of boosting vitality in those urban locations, where the use would have a significant multiplier effect. The County continues a long-term discussion of whether it should support construction of an arena that could accommodate indoor sports, concerts, circuses, high school graduations, and other activities. A location near the Shady Grove Metro Station is frequently mentioned in that regard.

In Rockville, there have been continuing discussions regarding whether there should be support for a new theater for live performances in Town Center or elsewhere, a Science Center complex, and/or other such arts/entertainment "anchors." The discussions tend to focus on educational or entertainment value. This report recommends that considering economic benefits be a part of the discussion of these and other potential uses, and that consideration be given to locating them in mixed-use environments, where benefits can accrue to retail,

restaurants and services. The updated master plan could establish policies on this topic.

Discussion Topics for Other Employment

- Discussion with County staff indicates that Montgomery County has plans to consolidate some of its offices in Wheaton¹ in the near future. This could potentially lead to vacancies in leased spaces (such as 255 Rockville Pike), and a reduction in the County workforce in downtown Rockville. What is the City's role in managing the change?
- What should the City do to better integrate Montgomery College into the City?
- What should the City policies be for attracting additional cultural facilities as a part of its economic development strategy?

1. The Capital Improvement Program (CIP) is described on the County web site at http://www.montgomerycountymd.gov/OMB/Resources/Files/omb/pdfs/fy13/cip_pdf/150401.pdf



255 Rockville Pike



Commuting and Rockville’s Resident Workforce

The majority of this report is focused on businesses, jobs and markets that are located in Rockville. This section provides a brief discussion of the commuting and employment patterns of Rockville residents, with comparisons to those who work in Rockville.

Commuting Patterns

The U.S. Census Bureau provides an economic development tool that is available on its website called OnTheMap, a mapping and reporting application that shows the relationship between where workers are employed and where they live. The following inflow/outflow table on jobs shows that Rockville’s resident workforce does not restrict itself to working in Rockville, and that the vast majority of jobs located in Rockville are not occupied by Rockville residents.

Table 19 - Inflow/Outflow Job Data

| Rockville’s Resident Workforce | Percent |
|---|---------|
| Living and Employed in the City | 14.9% |
| Living in the City but employed outside | 85.1% |
| Employed in the City but living outside | 94.6% |

Source: U.S. Census Bureau, OnTheMap Application

However, the majority of Rockville resident workers are employed in Montgomery County.

Table 20 - Where Rockville Residents Work, Counties

| Counties | Percent |
|----------------------------|---------|
| Montgomery County, MD | 57.1% |
| District of Columbia, DC | 13.3% |
| Fairfax County, VA | 5.6% |
| Prince George’s County, MD | 4.9% |
| Anne Arundel County, MD | 3.0% |
| Howard County, MD | 2.3% |
| Baltimore County, MD | 2.0% |
| Arlington County, VA | 1.7% |
| Frederick County, MD | 1.6% |
| All Other Locations | 8.7% |

Source: U.S. Census Bureau, OnTheMap Application

The same source also indicated that in 2014, 56% of the total Rockville residents commuted less than 10 miles to work and that 47.6% of Rockville workers commuted less than 10 miles to work

Furthermore, the majority of jobs in Rockville are occupied by Montgomery County residents.

Table 21 - Where Commuters to Rockville Live, Counties

| Counties | Percent |
|----------------------------|---------|
| Montgomery County, MD | 55.5% |
| Prince George’s County, MD | 7.8% |
| Frederick County, MD | 7.8% |
| Howard County, MD | 3.5% |
| Fairfax County, VA | 3.2% |
| District of Columbia, DC | 2.9% |
| Baltimore County, MD | 2.7% |
| Anne Arundel County, MD | 2.7% |
| Carroll County, MD | 1.3% |
| All Other Locations | 12.6% |

Source: U.S. Census Bureau, OnTheMap Application



Rockville's Resident Workforce and Earnings

According to the 2010-2014 American Community Survey, 73% of Rockville's population of age 16 years and older were in the labor force.

Table 22 - Rockville Resident Workers

| Employment Status of Rockville's Resident workforce: | | |
|--|--------|------|
| Population 16 years and over | 51,512 | 100% |
| In labor force | 37,434 | 73% |
| Not in labor force | 14,078 | 17% |

Source: 2010-2014 American Community Survey 5-year estimates

Rockville residents who work have, on average, a much higher annual income than do workers in the United States as a whole (\$30,815) or in Maryland (\$40,501). (ACS, 2010-2014).

Table 23 - Rockville Resident Worker Earnings by Occupations

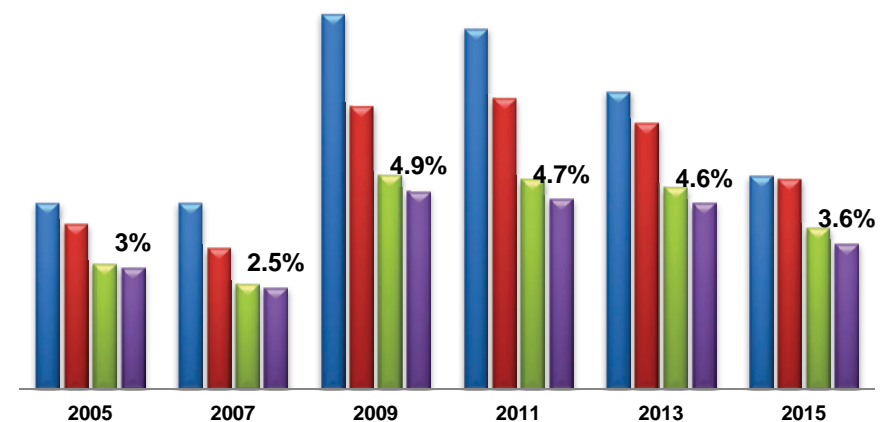
| Occupations | Median Earnings Estimates |
|--|---------------------------|
| All Occupations | \$55,440 |
| Management, business, and financial | \$86,615 |
| Computer, engineering, and science | \$86,571 |
| Education, legal, community service, arts, and media | \$94,914 |
| Healthcare practitioner and technical | \$75,975 |
| Service | \$21,652 |
| Sales and office | \$37,214 |
| Natural resources, construction, and maintenance: | \$37,608 |
| Production, transportation, and material moving | \$34,388 |

Source: 2010-2014 American Community Survey 5-year estimates

Of those in the labor force, 4.2% were unemployed (BLS, January 2014). The average annual unemployment rate had dropped to 3.6% in the year 2015.

Figure 12 - Rockville's Unemployment Rates

■ National ■ Maryland ■ Montgomery County ■ Rockville



Source: Bureau of Labor Statistics, February 2016

Note: It is important to distinguish between the percentage of people who are unemployed and those who are simply not working. Some people may be in school full-time, working in the home, disabled, or retired. These people are not considered part of the labor force and are therefore not included in the unemployment rate. Only those people actively looking for a job or waiting to return to a job are considered unemployed.

Rockville's unemployment rates are typically lower than that of the County, the State and the Nation. Montgomery County and Rockville's unemployment rates reflect the strength of the local economy.



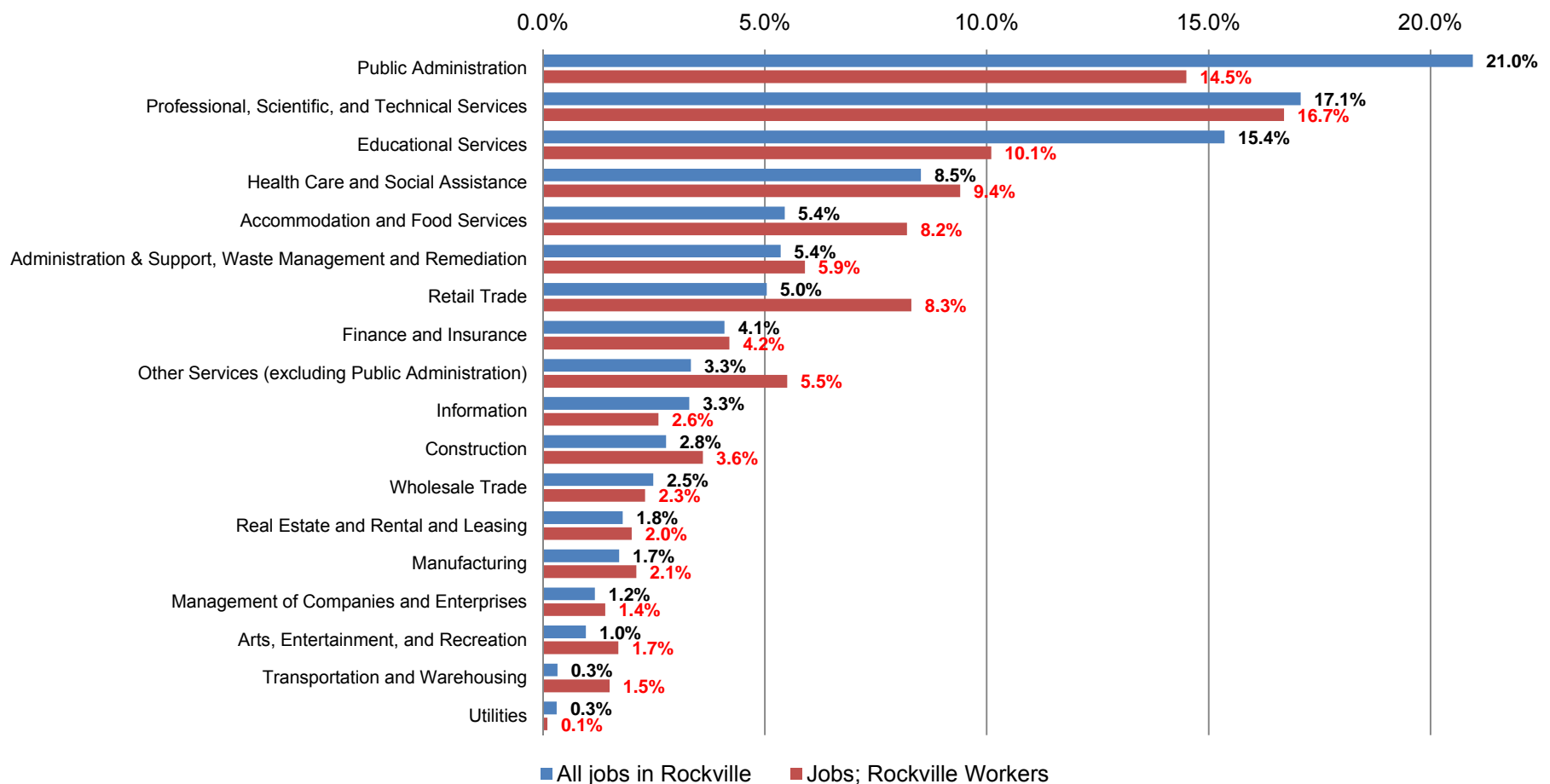
Job Sectors of Rockville's Labor Force

The following chart shows the percentage of jobs in various industry sectors, for both Rockville residents and jobs in Rockville.

The blue bars show the percent of jobs that are located within Rockville City limits by sector, and match the data presented in Table 6 earlier in the report. The red bars show the percentage of Rockville's resident workforce that is employed in those job sectors.

This chart helps understand workforce characteristics and the local labor market as it illustrates the employment opportunities within various sectors in the City. This chart also highlights what sectors the City workers are employed in and what sectors brings in commuting workers. As an example, Public Administration jobs constitute about 21% of jobs in the City. And 14.5% of Rockville resident work in Public Administration jobs, within, or outside the city.

**Figure 13 - Rockville Residents and All Workers in the City
By Job Sectors (2014)**



Source: U.S. Census Bureau, OnTheMap Application and LEHD Origin Destination Employment Statistics.



Economic Development in Rockville

Prior Economic Development Goals

The City of Rockville has recognized, for many years, the importance of ensuring that there is a strong economy in Rockville, and has taken actions to pursue that goal. Various documents in the City's master plan, including the 2002 Comprehensive Master Plan (CMP) and the 2001 Town Center Master Plan, established policies that encourage a mix of commercial, industrial and retail activity; and the City has supported various initiatives and projects that help job growth and fiscal health. However, the City has not updated its overall view of the future of the Rockville economy since 1992.

Rockville Economic Development, Inc.(REDI)

In 1997, the Mayor and Council created the Greater Rockville Partnership (GRP), a non-profit public-private economic development corporation, fully funded by the City, to provide assistance to current and potential Rockville businesses. The GRP evolved into Rockville Economic Development, Inc. (REDI), which is a nonprofit corporation that now has the responsibility to carry out economic development functions on behalf of Rockville. The offices of REDI are currently located in Town Center, at 51 Monroe Street.

REDI's mission is to help businesses launch, locate and expand in Rockville, by providing knowledge, access, resources, and direction to companies at all stages of growth. REDI offers its resources to the community free-of-charge. Currently, REDI has a staff of five employees and a 21-member Board of Directors. The Board is made up of business, academic, and government representatives who serve three-year terms. The Board is appointed by the Rockville Mayor and Council. REDI works in partnership, when warranted, with County and State agencies.

On an annual basis, REDI presents its work plan to the Mayor and Council as part of its budget request. In addition, Councilmembers frequently attend Board meetings, and there is a staff member who is a member of the Board. However,

the REDI Board of Directors has final authority on REDI's work plan and priorities.

Economic Development and the 2002 Comprehensive Plan Rockville's Comprehensive Master Plan (CMP), approved and adopted in 2002, discusses economic development in Chapter Twelve, in the context of establishing policies for the portions of the city designated as "Economic Development/Nonresidential Neighborhood Areas." Those areas are Town Center (PA 1), Rockville Pike Corridor (PA 9), Tower Oaks (PA 12), Research/Piccard/King Farm/Fallsgrove (PA 15) and Southlawn/Redgate (PA 16)

The first three pages of the chapter provide a broad Goal, Policies and Recommendations, which are designed to apply for all of the relevant planning areas. The following applies to all of the Chapter 12 planning areas:

Goal:

Develop a sustainable economic base by retaining and attracting business while balancing the needs of both the business and residential communities, and considering the effects of economic development on the environment and history of the City.

Policies

1. Attract businesses that will yield the highest economic benefits to the City and its citizens without accruing negative environmental issues or stressing the resources and infrastructure that support them.
2. Ensure compatibility of industrial and commercial uses with nearby residential areas.
3. Encourage an appropriate balance of office, retail, industrial and residential uses and an emphasis on mixed-use development.
4. Encourage commercial redevelopment.
5. Create and encourage diversity and opportunities for small businesses to locate in Rockville.
6. Encourage increased transit utilization, improved traffic circulation and better pedestrian and bikeway access and circulation.



7. Promote local tourism as a tool for economic development.
8. Foster continued cooperation/coordination between the City, Board of Education, and other educational institutions to maximize workforce development opportunities

Recommendations:

1. Continue to aim for balanced growth between the commercial and residential sectors.
2. Encourage the location and expansion of high technology and biotechnology businesses in the City through recruitment, retention and incentive programs.
3. Ensure that the zoning regulations allow flexibility to accommodate various types of development, including lab space required by the biotechnology industry.

Many of these policies and recommendations have been pursued since 2002.⁴

REDI has focused much of its efforts on the Goal of retaining and attracting businesses, and the Recommendation to attract high technology and biotechnology businesses. Its StartRight! program provides seed capital for new Rockville-based businesses, consistent with Policy 5.

The City government has taken many actions, as well. They include instituting a new zoning ordinance, which changed many single-use zones to mixed-use zones, consistent with Policy 4 and Recommendation 3; and sufficient investment in Town Center. The City's strong focus on Town Center since 2002 has been pursuant to Policies 3, 5 and 7. Town Center is discussed further, below. The City's strong Special Events program, within the Department of Recreation and Parks, supports many of these policies, including Policy 7. The City's Hometown Holidays, Antique and Classic Car Show, and Uncorked Wine and Music Festival are examples of how local tourism has been promoted, as visitors are attracted from the metropolitan region and beyond.

4. In 2009, the City completed a State-required review of the CMP. The issues that were identified during the review of Chapter 12 are provided in Appendix A. They include the recommendations for each specific nonresidential area.

Also within Chapter 12 of the CMP, there is a brief section on each planning area, where recommendations are sometimes provided, some of which are focused on economic development. Below is a brief summary of the status of each planning area.

Rockville Pike Corridor: The City has approved significant redevelopment projects since 2002 in the Rockville Pike corridor, pursuant to the recommendations on page 12-9 that the City should encourage a mix of uses and mixed-use redevelopment with a strong residential component in the area of the Twinbrook Metro Station. In 2006, the Mayor and Council directed staff to work with the community to update the 1989 Rockville Pike Neighborhood Plan, which is still part of the master plan as a separate document. At that time, the Mayor and Council expressed that the plan no longer was giving sufficient guidance consistent with the community's wishes. The City is now nearing completion of this update, as the Mayor and Council is currently reviewing the Planning Commission's recommended plan. When completed, that new plan will become part of the City's master plan.

Research/Piccard/King Farm/Fallsgrove: Also pursuant to the 2002 CMP was the City's facilitating the almost-complete buildout of the new King Farm and Fallsgrove communities, both of which include office and retail. These are important new economic areas of the city and have contributed greatly to the fiscal health and vitality of Rockville. The buildout of King Farm will, however, include less office space than originally intended, because weakness in the market for office space has led the developer to revise plans on certain sites from office to residential. The Mayor and Council approved these changes. This weakness is also seen in the Research/Piccard area, where office uses have been slowly converting to other uses, now permitted under mixed-use zoning.

Tower Oaks: Less successful has been implementation of the plan for Tower Oaks, previously known as Westmont. The 2002 CMP called for implementing the 1985 Westmont Plan. Though some office development has occurred, it is increasingly clear that the entire plan for the area, which would have contained significantly more office space and



two hotels, is no longer viable. As of this writing, the City is considering a proposal for residential development on an area that was planned to be office space. The updated master plan should help to define, or at least set the parameters for, the future of this planning area.

Southlawn/Redgate: This planning area continues to contain a concentration of service industrial activities. No significant change was anticipated, and not much change has occurred. The largest recent City focus, also consistent with the CMP, has been working to “minimize the negative impact of industrial and residential use proximity” (p. 12-18). Similar discussions were held in 2004-2007 regarding the service industrial area along Stonestreet Avenue. A 2015 City study anticipated that the market would remain reasonably healthy for the types of uses that occupy the portion of Southlawn that is near the East Rockville and Lincoln Park neighborhoods, in the foreseeable future, and did not see a growing market for residential development.

Town Center Master Plan: In 2001, the City adopted the Town Center Master Plan (TCMP), which was subsequently adopted into the updated (2002) Comprehensive Master Plan. As such, the TCMP is also part of the city’s master plan. Its purpose is broader than simply economic development, but it certainly includes economic development. Town Center is a consistent focus of the community, and has been so for many decades, which is why a discussion is presented here.

The TCMP has a goal and a set of objectives, which are listed on page 5 of the document. They are as follows:

Town Center Master Plan Goal:

Create a daytime, evening, and weekend activity center that is easily identifiable, pedestrian-oriented, and incorporates a mix of uses and activities.”

Objectives:

1. Provide an environment conducive to and supportive of living, working, shopping, and entertainment.
2. Accommodate a variety of densities and scales of development that are sensitive to an urban neighborhood

environment and the demands of the marketplace.

3. Enhance links to transportation options which improve their visibility and accessibility.
4. Provide improved connections from neighborhoods to the Town Center.
5. Minimize the divisive impact of Rockville Pike and the Metro and CSX rail lines.
6. Make the Town Center a unique, high amenity destination for local and regional customers.
7. Utilize urban design to establish zoning and density requirements that will assist in defining Rockville Town Center.
8. Provide sufficient parking for new mixed-use development and visitors to the Town Center.
9. Address integrating new aesthetic public parking garages with linkages from road networks.

The City has been very assertive in achieving the overall goal and many of these objectives, and has contributed in many ways to the transformation that has occurred since 2001. The Rockville Town Square project was a public-private mixed-use development project, which provided retail, residences, a new County library, and arts institution, a business incubator, public space, and parking. The City invested approximately \$50 million, with the expectation that the project would bring economic vitality and increased property values that, together, would more than offset the investment costs. In fact, rating agencies have cited Town Square as an example of why bond purchasers should feel confidence in Rockville’s future.

Many other projects have occurred in Town Center since 2002. They include two new office buildings on the corner of E. Middle Lane and MD 355, one of which includes the new headquarters of Choice Hotels, International; the Cambria Suites hotel, apartments and retail that constitute Phase I of the Duball project; a new State District Court building and an expanded County Circuit Court, both of which were anticipated in the TCMP; new 2-story commercial development north of Beall Avenue; and two impending mixed-use projects north of Beall Avenue. In accordance with the TCMP objectives, the projects are different scales and densities; provide opportunities for living, working, shopping



and entertainment; and make the Town Center a unique, high-amenity destination. The City supported the private-sector projects with incentives, regulatory streamlining, and/or investments in infrastructure (transportation and water/sewer), as needed and sometimes in partnership with Montgomery County.

Two factors have emerged since 2001 that may need consideration in an updated master plan, either in the CMP or the TCMP; and could have an impact on Town Center's overall economy.

First, the potential advent of Bus Rapid Transit (BRT), which the County is proposing, could have a significant impact on downtown Rockville. The current concept is that one BRT line would connect the Rockville Station with Wheaton, along Veirs Mills Road; and another line would travel north-south, from Clarksburg to Bethesda, passing through and stopping in Rockville. If this project is implemented, Rockville would become the intersection of two new high-capacity transit lines, perhaps at the Rockville Station. The City has done preliminary studies regarding potential options for the transportation network, but has not yet been able to characterize the potential economic impact of such an investment, and whether the current master plan has policies that are sufficient to accommodate this new system. As of this writing, the City has not taken a formal position on the BRT.

Second, changes in the office market present a potential opportunity for Town Center, which was perhaps less the case 15 years ago. As discussed earlier in the document, recent trends show office users as having a heightened interest in being in amenity-rich areas, with a particular interest in being within walking distance of high-capacity transit. Town Center is one of the best locations in Montgomery County in that regard. The Office Market report cited earlier indicates that Rockville Town Center was one of the places that had positive absorption during the period of 2009-2014. As such, the relative weakness in suburban office locations can be complemented by growth in demand for urban office space – both in Town Center and potentially near the Twinbrook Metro Station. Encouraging this investment could potentially

offset fiscal loss from other locations (e.g., conversions of office uses to self-storage along Research Boulevard).

A core task of the Rockville 2040 effort will be to determine what master plan goals and policies are appropriate to ensure the long term vibrancy of Town Center.

Other recommendations for nonresidential areas are not listed here, however are discussed in Appendix A.

The Rockville Summit

In the fall of 2011, the Mayor and Council initiated The Rockville Summit. The process was a two-part, community-oriented initiative to engage residents and business owners in a dialogue about Rockville's future. The context was in response to the economic downturn that began in 2008 and whose effects were still being felt through rising unemployment, higher vacancy rates, reduced federal spending and tightened budgets for Rockville, Montgomery County and the State of Maryland.

The Mayor and Council convened the community with the goals of identifying ways to ensure the long-term economic and fiscal health of the City and to bring resident and businesses together so as to find a shared vision and reduce tensions.

The report can be found on the city's website at <http://www.rockvillemd.gov/index.aspx?NID=975>. A summary of the results of the topics discussed during the summit, as relevant to this report, is in Appendix B.

At the time of the summit process, participants were told that the results would be brought to the upcoming process to update the master plan. As such, this Summit Reports will be used by citizen working groups, staff, the Planning Commission, and Mayor and Council as updated goals and policies are developed.



Conclusions

Rockville's economy continues to be relatively strong, even in the face of transitions in the office and retail markets, and as the spending by the federal government have dropped in recent years. The unemployment rate is relatively low and average incomes are relatively high.

Some core strengths remain intact, including:

- Desirable location in the growing Metropolitan Washington region and within Montgomery County; including both good highway and transit access, and investment opportunities near both.
- Key public sector employment, contracting and economic spin-off anchors that are likely to stay in place for the long term. They include the various components of Montgomery County government, Montgomery College, two major courthouses, the nearby campus of the Universities of Maryland at Shady Grove, and the nearby National Institutes of Health (including the recently constructed National Cancer Institute just beyond Shady Grove Road).
- A growing and increasingly attractive downtown (Town Center) that already offers a mix of offices, restaurants, services, culture and government uses - and now includes a full-service headquarters hotel.
- A highly educated workforce, both within and proximate to Rockville.
- Public schools that are perceived, both locally and in national rankings, as being excellent.
- Steady demand for space in the areas traditionally reserved for flex/industrial areas.
- Continued projected growth in population, which will support growth in local-serving services and retail.

And yet, challenges and uncertainties exist, including:

- Reduced projected growth in office space and in employment, and the lack of clarity of whether this trend is short term or longer term. This trend is region-wide, not just in Rockville.
- There continues to be more jobs than people in Rockville, though that ratio is falling, as residential development is currently more in demand in the city.

- Changes in retailing, which have made the survival of neighborhood-serving retail centers more difficult and are changing the mix offered even in larger-scale centers.
- The high cost of housing makes finding nearby employees more challenging.
- Questions about whether investments in transportation and educational facilities, which are mostly beyond the areas of Rockville's scope, can meet the demands of the future.
- Concerns about infrastructure such as water/sewer capacity in certain development areas of the city.
- Uncertain future of federal spending, which affect both direct federal employment and contracting.
- New competition from nearby "placemaking" mixed-use centers in White Flint and Gaithersburg.
- A relative dearth of entertainment-oriented anchors in urbanized locations in Rockville, which could help to attract and support both retail and office users.
- Rockville's daytime population, especially in locations such as the Montgomery College Campus in Rockville, is an asset that has not been not been strategically utilized to serve its retail and other businesses.
- Incomplete understanding of the fiscal benefits of the non-residential employment-oriented portions of the City.



Rockville sign, Twinbrook Parkway and Rockville Pike



Discussion Topics for the Rockville 2040 Process

Key questions regarding Rockville's economy are brought forward to this concluding section. Together, they represent a framework for discussing master plan policies.

Office

- What policies would help to support and attract office users?
- How should the master plan respond to changes in market demand for office space, especially as it affects areas of the city that have, for decades, been suburban office locations?
- Office users are increasingly demanding amenity-rich locations, and desire a livelier environment. What policies and strategies might the City take to remain competitive to office users? Are there investments in activities and facilities, changes in land use or zoning so as to introduce other uses, or approaches to urban design, which would support a long-term robust office market in Rockville?
- What investments in infrastructure (e.g., water/sewer, information, transportation) would support this key employment sector?
- What other types of incentives may be appropriate to include as long-term master plan policies?

Industrial

- What policies would help Rockville support and attract industrial users to the desired areas of the city?
- Is there sufficient water/sewer capacity in industrial areas?
- How should the master plan manage the border areas between industry and residential neighborhoods, as discussed in the 2002 CMP, and both the Lincoln Park and East Rockville Neighborhood Plans?
- What approach should the master plan take to non-industrial uses occupying spaces in areas of the city traditionally occupied by service industrial uses?

Examples include retail, athletics, entertainment and residential uses in the Southlawn area.

Retail

- What policies would help maintain, and potentially expand, its thriving retail sector?
- How flexible or strict should City Master Plan policies be in promoting or allowing retail to adjust to changing market conditions? Considerations might include regulations regarding the size, location, and format of stores, as well as for parking and signage.
- Should the City embrace promotional approaches to retail, including recruitment of retail and/or assistance in expansion? If so, what niches might Rockville fill?
- Should the City develop strategies to encourage and better support "night-life"?
- Should the City develop strategies to encourage "anchor" activities or organizations (cultural activities such as theater, museum, etc.), which can provide complementary and supportive activity for retail?
- In which settings should the City encourage, or even require, urban-style retail that is adjacent to public sidewalks; and in which settings should there be more flexibility?

Other

- What is the City's role in managing the change in office vacancies and reduction in workforce, should some County offices move out of downtown Rockville?
- What should the City do to better integrate Montgomery College into the City?
- What should the City strategies be for attracting additional cultural facilities as a part of its economic development strategy?

Overarching Questions:

- What priorities should Rockville's overall economic development strategy include?
- How should the master plan manage the sometimes-tense interactions between economic activity and the desire for peaceful residential areas?
- Is Rockville willing to make investments in infrastructure and facilities to support a robust economy?
- What approach to regulations would support the approach that Rockville wishes to take for the economy?
- With the exception of IL (Light Industrial) zone, the zoning ordinance permits residential development in all other zones in the City. What should Rockville do to preserve the nonresidential uses when market forces and neighboring residents support conversions of existing office, retail and industrial uses to residential?
- What policies would help to ensure the economic success of Town Center, the Rockville Pike corridor, the I-270 corridor, Southlawn area, and other key employment nodes?
- How should Rockville "brand" itself to pursue its economic development goals?



Rockville Town Center, Upton during construction



List of Resources

PES, Partners for Economic Solutions (2015). *Office Market Assessment, Montgomery County, Maryland*.

PES, Partners for Economic Solutions (2013). *Industrial Land Use, Montgomery County, Maryland*.

Metropolitan Washington Council of Governments (2016). *State of the Region, Economic Competitiveness Report*.

Brad McDearman, Greg Clark, and Joseph Parella, (2013). *The 10 Traits of Globally Fluent Metro Areas, Global Cities Initiative*.
A joint project for Brookings and JP Morgan Chase.

Versel, D., Chapman, J., Dani, L., and McCarthy, L. (2014). *Improving the Washington Region's Global Competitiveness*. George Mason University's Center for Regional Analysis, Arlington, VA.

Werling, J., Lemieux, J., and Wittek, T. (2015). *Roadmap for the Washington Region's Economic Future: Seven Key Economic Clusters*. Inforum, College Park, MD, Center for Regional Analysis, George Mason University and Metropolitan Policy Center, American University.



Appendix A - Review of CMP

Review of Chapter 12: Economic Development/Nonresidential Neighborhood Areas 2002 Comprehensive Master Plan, conducted in 2008-2009, approved by Planning Commission and the Mayor and Council

| | 2002 CMP Goals and Policies | Review Comments |
|------------------------|---|--|
| Goal | Attract businesses that will yield the highest economic benefits to the City and its citizens without accruing negative environmental issues or stressing the resources and infrastructure that support the 2002 CMP Goals and Policies | What is our vision going forward? |
| 1 | Attract businesses that will yield the highest economic benefits to the City and its citizens without accruing negative environmental issues or stressing the resources and infrastructure that support them. | Retain |
| 2 | Ensure compatibility of industrial and commercial uses with nearby residential areas. | Retain. Issues surrounding neighborhood serving commercial centers (Rockshire, College Gardens, Burgundy etc.) |
| 3 | Encourage an appropriate balance of office, retail, industrial and residential uses and an emphasis on mixed-use development. | Retain. Lack of certain stores – such as hardware and general goods (“socks”) |
| 4 | Encourage commercial redevelopment. | Retain. |
| 5 | Create and encourage diversity and opportunities for small businesses to locate in Rockville. | Retain. Small businesses, which grow by 2-3 people at a time, create a large number of jobs. Neighborhoods build relationships with certain vendors and these are often not transferrable |
| 6 | Encourage increased transit utilization, improved traffic circulation and better pedestrian and bikeway access and circulation. | See also Transportation |
| 7 | Promote local tourism as a tool for economic development. | See also Historic Preservation Heritage Area |
| 8 | Foster continued cooperation between the City, Board of Education, and other educational institutions to maximize workforce development opportunities. | See also Community Facilities |
| Recommendations | | |
| Rec. 1 | Continue to aim for balanced growth between the commercial and residential sectors. | Retain? Issue of relationship between neighborhoods and adjacent commercial areas – Rockshire, Twinbrook, College Gardens, Burgundy etc. |
| Rec. 2 | Encourage the location and expansion of high technology and biotechnology businesses in the City through recruitment, retention and incentive programs. | See also Transportation |



| | | |
|--------|---|--|
| Rec. 3 | Ensure that the zoning regulations allow flexibility to accommodate various types of development, including lab space required by the biotechnology industry. | Review? Emphasis on wet labs (life sciences/drug development etc.) does not work well in Rockville. Tends to be low-rise and land intensive rather than in multi-story buildings. |
|--------|---|--|

What is Missing-Comments:

- Separate discussion of land use issues from Economic Development. Devote one chapter to all planning areas without differentiation between “residential” and “non-residential”, which does not take account that mixed-use areas contain residents. Create new chapter on Economic Development/Fiscal Impact. Chapter is out of date. (Many participants made comments along these lines.)
- Master Plan should be forward looking.
- No reference to employment: County and State Government, plus regional aspect (Federal Government). City a major employment center but not mentioned or emphasized. (Impact of BRAC?)
- What is the City policy? Local Government not creating wealth – need “economic engine”. Discussion of “economic engines” missing – Metro, Montgomery College, Universities of Maryland etc. But diversification of tax base is important too and the City needs businesses to maintain the tax base.
- Maintain emphasis on maintenance of infrastructure - City does this well and should continue. Stress its importance in underpinning the economy of the City. Considerable investment in Town Center and all other City infrastructure.
- Urbanization – 2002 CMP has a “suburban” orientation – retail strips that are only accessible by car, etc.
- Diversity issues - ethnic mix of restaurants and stores an economic asset to the City.
- Availability of housing choices – see also Housing Ch. 10.
- The policies and introduction should reflect the City’s support for the emerging “green economy”, and the creation of “green collar jobs” that has been proposed at the national level to both stimulate the economy as well as position the US for the future.
- Promote City: local tourism as a tool for economic development.
- Promote City to 19-29 year olds (shortage of citizens in this demographic cohort – City has not attracted/retained them).
- Importance of bio-tech and info-tech to area. Plus try to leverage assets: federal laboratories (NIH, NIST etc.)
- No reference to entrepreneurs/“start-ups”.
- Master Plan general in narrative (maybe appropriate) – perhaps more specific information in separate plans. Land use was traditionally isolated – should be more integrated into plan. CMP complex document – does a good job of breaking apart topics but not good job at integrating them. With little or no “Greenfield” development capacity available land use is key to future economic development.
- CMP should be less narrative and have more graphics. For example, maps that highlight where the jobs are would be helpful and would help to increase awareness of business land issues. Goal of economic development should be more positive with a set of strategic policies. More focus on the integration of business into the life of the City, including arts/entertainment, “green” Rockville etc.

| Planning Area 1 – Town Center | |
|---|---|
| The Master Plan adopts by reference the Town Center Master Plan of 2001, and its recommendations. | Retain? Mayor and Council received presentations on a staff review of elements of the TCMP in 2006 and 2007. |



Planning Area 9 – Rockville Pike Corridor - *Rockville's Pike* project to update the 1989 Rockville Pike plan is currently underway and will be covered in separate briefings.

| | | |
|--------|---|--|
| Rec.1. | Encourage a mixture of retail, residential and office uses. | Retain. |
| Rec.2. | Encourage redevelopment façade improvements of existing structures to improve the image of the Rockville Pike Corridor and enhance its physical appearance. | Retain. |
| Rec.3. | Review the Rockville Pike Corridor Master Plan's design recommendations and recommend changes to the Zoning Ordinance text as necessary. | On-going as part of the Rockville's Pike planning process. |
| Rec.4. | Continue to monitor the traffic impact of the Corridor and implement improvements to ease traffic congestion. | On-going as part of the Rockville's Pike planning process. |
| Rec.5. | Encourage greater public transit use, including Metrorail, ride-on buses, and the Rockville Pike lunchtime shuttle. | On-going as part of the Rockville's Pike planning process. |
| Rec.6. | Improve pedestrian and bicycle circulation routes within the Corridor and encourage their use. | On-going as part of the Rockville's Pike planning process. |
| Rec.7. | Support mixed-used development, with a strong residential component, in the Metro Performance District encompassing the Twinbrook Metrorail Station property. | On-going as part of the Rockville's Pike planning process. |

Planning Area 12 – Westmont (Tower Oaks)

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| Rec. 1. | Endorse the recommendations of the 1985 Westmont Plan and the relevant portions of the 1993 City Master Plan. | Review as site continues to build out? |
| Rec. 2. | Work with the County and private developers to ensure the availability of bus service to Tower Oaks to reduce dependency on automobiles for commuting to the site. | Retain or expand? (Cross check with Transportation) |

Planning Area 15 – Research/Piccard/King Farm/Fallsgrove

| | | |
|---------|--|--|
| Rec. 1. | Amend the development standards of the I-3 Zone to improve transit serviceability. | Implemented as part of zoning ordinance rewrite. The MXE zone will provide lesser setbacks to improve transit serviceability by bringing buildings closer to transit infrastructure. |
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| Rec. 2. | Encourage public-private cooperation in providing alternative modes of transit. | Retain. Not yet met – some TDM has been undertaken - but not fully implemented. (City should continue to advocate.) |
| Rec. 3. | Monitor the effects of increased traffic due to redevelopment and new development. | Retain. Monitored as part of the DRC process. |

What is missing?

- Full discussion of Upper Rock and the vision of how it should redevelop.
- Discussion of the hotels in the area.
- A review and update of how the entire area is working now. Issues include (but are not limited to): long-term transit connections; the village centers; potential conflicts between residents and commercial and recreational facilities; affordable housing; entertainment options; wildlife protection and “undersized” school sites.

| Planning Area 16– Southlawn/Redgate | | |
|-------------------------------------|---|---|
| Rec. 1. | Consider annexing industrial land in the City’s designated growth areas. | Retain? Review/revision issue? There has been no large-scale annexation of industrial land into the City. Should such annexation remain a City policy goal? [Separate discussion of sites at Lofstrand/Southlawn/Dover? Annexation to facilitate provision of water and sewer service?] |
| Rec. 2. | Minimize negative impact of industrial and residential use proximity. | Retain. Develop policy and formal procedures – see below. |
| Rec. 3. | Evaluate amending the zoning ordinance to create a heavy industrial zone based on the County’s I-2 zone to be applied along Southlawn Lane, north/east of Gude Drive. | Implemented. A new heavy industrial zone has been developed as part of the rewrite of the zoning ordinance. |

What is missing?

- Discussion on methods that might be taken through the development review process to ensure that any/all industrial land uses do not adversely impact residential land uses.
- Discussion of critical parcels within the planning area. For example: David Scull residential development, the City’s DPW and R&P maintenance facilities; the City-owned Redgate Golf Course; Montgomery County Animal Shelter; and MCPS Mark Twain school.
- Discussion regarding annexation in the Southlawn area due to failing wells and septic systems: DPW has CIP projects for water and sewer mainline extension and there has been considerable discussion with property owners since 2002.
- Discussion regarding annexation of sites that straddle City/County border.



Appendix B - Rockville Summit

The first Rockville Summit was held in October 2011 and brought together nearly 200 members of Rockville's residential, business, government and nonprofit communities to begin an ongoing dialogue about the City, the regional economy and Rockville's future. The second Rockville Summit was held in November 2012, when community members from throughout Rockville – including residents and representatives of the business, nonprofit, government and education sectors – reported on a series of working group studies on various key issues in the Rockville community. The working group met over a series of months in advance of the November 2012 meeting, assisted by City staff liaisons, to develop their reports.

Relevant findings from two workgroups, the City Services and Budget workgroup; and the Job Growth and Residential Workforce workgroup are listed under this section.

The City Services and Budget looked at city services and generating the revenues to pay for the services. To support and promote job growth in the City, the group recommended the following:

- Continued investment in REDI to serve as the business growth and economic development agency of the City.
- The adoption of an "Incentives Policy" outlining assistance that could be made available to companies expanding and/or locating in the City of Rockville (to include both financial and non-financial incentives, i.e. streamlined permitting, etc.).
- Establishing an Economic Development Fund that could be used to match State and County financial incentive offers to new and expanding businesses bringing increased jobs and tax revenues to the City.
- Reviewing and streamlining City processes – quicker permitting saves businesses money and would serve as an incentive in attracting economic development.

Another Summit working group, the Job Growth and Residential Workforce, recommended that the City promote a "balanced" economic growth to strategically attract desirable businesses without compromising on the quality of life for Rockville residents. Primary recommendations of Job Growth and Residential Workforce group were:

- Business Friendly Processes: The City should streamline its

regulations and permitting processes that affect local businesses, especially those which are of a non-controversial nature, in order to lower the cost of doing business in the City

- Commercial Tax Base: Continue to promote balanced economic development through policies that support an increased commercial tax base via commercial redevelopment projects.
- Continued Funding for Economic Development: The City should continue funding for different types of economic and business development initiatives, that promote/benefit Rockville, either through REDI or consortiums involving REDI; the City should also continue its support for REDI to strengthen its institutional capacity for developing recommendations related to the City's economy and workforce.
- Rockville Pike / Red Line Metro Stops: Find ways (e.g. Rockville Pike Plan) to capitalize on Rockville Pike and the Twinbrook, Rockville and Shady Grove Metro Stops, as assets contributing to the City's competitiveness
- Existing Employers: City policies should help existing employers grow and stay in Rockville, and encourage local employers to hire local Rockville residents.
- Create/Strengthen City-Level Incentives: In addition to taking advantage of existing federal, state and county incentives, the City should create its own financial and non-financial (in-kind) incentives to attract desirable companies.
- Branding / Re-Branding Rockville: Rockville's image is still somewhat of a "blank slate" and the City needs something more uniquely identifiable, related to its economic strengths. Rockville's current motto "Get Into It" does not communicate any type of economic strength and is more of an appeal to civic involvement. To appeal to companies, the City should also find a way to project an image that communicates a more "pro-business" attitude.
- Public Communication: The City should reach out systematically to businesses to determine their specific needs, to educate citizens on their efforts to balance growth and quality of life, and provide regular updates about positive job creation efforts taking place in the City (signs about projects underway, use of social media, etc.).
- Highly Skilled Seniors/Retirees: The City should find a way to tap into the wealth of skills and experience possessed by local seniors, many of whom might be willing to share their ideas, advice, and other resources to promote the local economy.
- Target Industry Clusters: The City should seek to promote specific



industry clusters, based on Rockville's competitive advantages. In addition to promoting existing clusters, the City should be attentive to new potential clusters, especially those related to emerging industries of the future. The City should find a way to institutionalize this approach, via REDI or a consortium, and study how other cities identify and promote industry clusters. This consortium can also make future recommendations and market Rockville as a place to do business.

- Capitalize on Rockville's Strengths, and Minimize Its Limitations: The city should be mindful of its greatest strengths and limitations and apply them effectively, by pursuing both big and small opportunities, in both the public and private sectors.
- Future Trends: To successfully balance economic development and quality of life, the City should be mindful of future trends related to the changing world economy, the changing face of retail, new technology, social and environmental values, and where/how people work.
- Regional Advocacy: Rockville should cultivate a leadership role in coordinating and collaborating with other entities at the state and county level, as well as with neighboring cities.
- International Advocacy: Rockville hosts a very diverse population, with residents representing many countries from every continent. The City should harness this strength to encourage export of local goods and services, and to attract foreign companies to Rockville.
- Future Federal Agency/Facility: Over the long-term, the City should remain attentive to the possibility of being selected as the site for a future, major federal agency that would create jobs on a massive scale. In the short-term, the City should promote diversification into new, private-sector industries that complement existing industries, or that help lessen Rockville's dependency on federal spending.
- Promote growth in local business

The summit report is available on the City's web site at <http://www.rockvillemd.gov/DocumentCenter/View/2544>



Rockville Summit



